



IndiaLive

LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

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Food Industry Overview

- India slipped to 14th spot in the list of countries that attracted the highest foreign direct investment last year, with inflows declining by about USD 10 bio to USD 25 bio, says a UN report. India is ranked way below neighbouring China, which saw FDI inflows to the tune of USD106 bio in 2010.
- US investment bank Morgan Stanley slashed its growth forecast for the Indian economy for the current fiscal year as well as next citing rapidly deteriorating near term growth outlook for Asia's third biggest economy. Morgan Stanley cut gross domestic product estimates for fiscal year ending March 2012 to 7.2 percent from 7.7 percent and that of 2012-13 to 8 percent from 8.5 percent. Late July, Standard Chartered Bank also pared its FY12 growth forecast to 7.7 percent from 8.1 percent previously.
- Global rating agency Moody's has pegged India's growth at 7.5 - 8 per cent for the current fiscal, saying that higher interest rates as well as global economic uncertainties could affect the country's economic expansion in the near term.
- India's economic growth rate is likely to climb down to 8.1 per cent in 2011 from 8.6 per cent in the previous year due to slowdown in the global economy, the United Nations Conference on Trade and Development (UNCTAD) said in a report.
- Prime Minister's Economic Advisory Council (PMEAC) lowered the economic growth projection for the current fiscal to 8.2 per cent from 9 per cent earlier, citing the uncertain global outlook, high domestic inflation and subdued industrial performance. Agriculture and allied sectors' growth is expected to fall by more than half to about 3 per cent this fiscal but foodgrains output could beat last year's record of 241.56 mio tons.
- Planning Commission said it was likely to lower its average annual economic growth target for the 12th five-year plan (2012-17) to 8.5 to 8.7 per cent, as against the 9-9.5 per cent contemplated earlier.
- India will become a USD 5.6 trillion economy by 2020, according to research firm Dun & Bradstreet, which has predicted a three-fold jump in the country's GDP from USD1.7 trillion last fiscal on the back of rapid investment and growing consumer expenditure.
- Centre for Monitoring Indian Economy (CMIE) has revised its real GDP forecast for FY 12 downwards -from 8.6 per cent to 8.1 per cent.
- "Based on the data of world development indicators, the GDP of India at 2000 prices increased from USD 270.5 bio in 1990 to USD 971.5 bio in 2010 registering an annual average growth rate of 6.6 per cent in real terms," Minister of State for Planning Ashwani Kumar said.
- Reserve Bank of India (RBI) said India's economic growth could moderate to 8 per cent during the current fiscal from 8.5 per cent recorded a year ago due to unfavourable developments.
- The RBI, which has been one of the most aggressive of major central banks in tightening policy, has raised its policy rate 11 times by a total of 325 basis points since March 2010.

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Food Industry Overview (Continued)

- Asian Development Bank (ADB) trimmed growth forecast for India to 7.9 per cent for the current fiscal, from 8.2 per cent, in the wake of subdued growth of major world economies and rising crude oil prices.
- International Monetary Fund (IMF) has scaled down India's economic growth to 7.8 per cent this year, against the earlier estimates of 8.2 per cent.
- Confirming fears of a slowdown, India's economy grew by just 7.7 per cent in the first quarter of the 2011-12 financial year, compared to 8.8 per cent growth in the same three-month period last fiscal, which was mainly due to the poor performance of the manufacturing sector. The government has projected overall economic growth in the current fiscal at around 8.5 per cent, while the Reserve Bank has projected the growth to moderate to 8 per cent from 8.5 per cent in FY'11.
- As incomes have risen in India, the demand for food has become more diversified. More people can afford fruit, vegetables and milk than before and the share of cereals in people's diets has fallen. In 2009-10, vegetables and fruit contributed Rs. 1.45 trillion to the economy, milk Rs. 1.49 trillion and cereals Rs. 1.51 trillion. By 2010-11, or last fiscal, the contribution of the first two would have overtaken cereals in the overall economy. Egged on by market signals, farmers have stepped up production of veggies and fruit. Even that has not been able to keep up with demand: there's runaway inflation in milk and vegetables prices. Milk prices have shot up 35 per cent in the last two years, fruit are dearer by almost 27 per cent and vegetables cost 20 per cent more.
- Indian inflation accelerated in August to its highest in over a year, driven by rising prices of food and manufactured goods. The wholesale price index (WPI), India's main inflation gauge, rose to 9.78 per cent in August, higher than the median forecast for a 9.6 percent rise in a poll and above the 9.22 per cent recorded for July.
- India might become the world's third largest economy in 2011 by overtaking Japan in terms of gross domestic product (GDP) measured according to the domestic purchasing power of the rupee, otherwise called purchasing power parity. India is now the fourth-largest economy behind the US, China and Japan. IMF forecasts show India and Japan neck-to-neck in 2011, but the disaster in Japan has brought the event forward.
- Global banking major BNP Paribas has said inflationary pressure in India will moderate early next year, but will stay above the Reserve Bank's comfort level of around 5-6 per cent.

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Dairy

- Premium ice-cream retailer Baskin-Robbins is giving its stores a face lift to increase footfalls. This is in line with the global repositioning exercise 'We make people happy' which will slowly trickle into India. Stores will now don a happier look where walls and display windows will be adorned with graphics and messages that showcase happy moments.
- 95 percent of ice cream market has been lapped up by brands like Amul (35-40 percent share), Kwality Walls (17 per cent), Vadilal (15 per cent) and Mother Dairy (8 per cent). The parlour segment is only 5 percent of the market.
- Already burdened with overall food inflation, now Indian consumers are in for more bad times as the prices of milk and milk-based products are set to increase once again. The reason: deficiency in monsoon leading to shortage in milk procurement. Already the retail milk prices have jumped 70 per cent in the last three years — from Rs. 17 / litre to Rs. 29 / litre.
- Gujarat Cooperative Milk Marketing Federation (GCMMF) that markets its products under brand 'Amul', has decided to hike its milk prices in Delhi and NCR by Rs. 1-2 a litre from 5 August. Accordingly cost of Amul Taaza will be Rs. 29 a litre in Delhi and NCR as compared to Rs. 28 earlier, while its Slim and Trim variety will cost Rs. 25 a litre in place of Rs. 24 per litre and Amul Gold (full cream) Rs. 38 as against Rs. 36/litre earlier.
- The private dairy industry in Tamil Nadu is sulking with the cooperative dairy, Aavin's move to procure milk from the private sector to meet its demand. According to private dairy industry representatives, the authorities are asking the private dairy companies to part with about 20 per cent of the milk they procure from farmers to the Tamil Nadu Cooperative Milk Producers Federation. The move is to augment supply to Aavin, the cooperative milk brand, in line with plans to grow the business. Of the 11 mio litres a day (mlpd) of milk produced daily in the State, Aavin accounts for about 2 mlpd and the private sector account for 4.0-4.5 mlpd. The balance is directly consumed.
- Chairman of the Animal Welfare Board of India has expressed concerns for animal welfare over the proposed IFFCO Kisan SEZ (special economic zone). The board, has in a letter to the promoters of a mega dairy planned in Nellore district of Andhra Pradesh, raised questions about the establishment of mega dairies as such dairy systems are prone to several environmental and animal welfare risks. A consortium of IFFCO, the New Zealand-based dairy company, Fonterra, and an Indian company called Global Dairy Health are developing a mega dairy as part of IFFCO's SEZ. Reports suggest that the consortium will import 9,000 high-yielding pregnant cows from New Zealand over a three-year period. There are also plans to import frozen embryos and semen for subsequent breeding.
- India'S largest food brand Amul has dragged Hindustan Unilever in a lawsuit that challenges the punchline "better than butter" used by the global FMCG company for its Mayonnaise-based product launched in April. The USD2-bio Amul has a 90 per cent share in India's organised butter market and has accused HUL of portraying butter products inferior to mayonnaise. Amul in 2007 initiated a similar action against margarine brand NutraLite from Ahmedabad-based Zydus Cadila. The mater is pending in Ahmedabad City Civil Court.

(Dairy continued on next page)

Dairy (Continued)

- Gujarat Cooperative Milk Marketing Federation, which markets its dairy products under the brand 'Amul', is likely to augment milk supply in Maharashtra by 0.6 mio litres with the setting up of a plant by its affiliate Kaira Cooperative. The dairy plant being set up at an investment of Rs. 1.50 bio in Virar near Mumbai is expected to be up and running between January to February next year.
- In an effort to expand its product portfolio, the Rs. 18-bio Keventer Group is planning acquisition of two Uttar Pradesh based skimmed milk-makers. The acquisitions will be part of the group's Rs. 3.50 bio expansion plan. Plans are also afoot to add cheese in product portfolio and scale up milk production to about two mio litres a day. The company is in talks with an Irish company for adding high-end cheese to the product portfolio
- Nestle's probiotic *dahi* brand Nesvita will soon be phased out of Indian shelves as it makes way for a newly-launched brand Nestle Actiplus Dahi. Japanese probiotic brand Yakult, which has been in the country for three years now, rules out launching any yoghurt-based product. "*Dahi* is already available in Indian homes and supermarkets, so we feel that drinks will do better in the long run in India", said a spokesperson.
- As India's milk production falls 20 mio tons short of the demand, leading global dairy players have offered to help the country increase its output. At a global dairy conference, representatives from US, Canada, New Zealand, France and Ireland narrated their success stories in dairy farming and offered to help India boost its milk output. The country would require 180 mio tons of milk by 2020 to meet its domestic demands.
- Vinod Khosla, one of the world's most successful venture capitalists, is making a follow-on investment in MYA, a rural supply chain in Karnataka that he first funded in 2008. MYA, short for MokshaYug Access, is building a network of collection centres for fresh milk across south Karnataka, drawing in 88,000 litres a day from small dairy farmers who each pool in an average of 4 litres.
- The frozen yogurt (fro-yo) fever is heating up as the tart treat tries to lure consumers as a healthier alternative to ice cream. The most recent one to jump onto the bandwagon is Korea-based Yogurberry, which will set up its first store in the next three months. Dubai-based Synergy holdings, which holds the master franchisee for Yogurberry in India has inked a deal with Raasha Leisure and Entertainment as the area franchisee for North and East India. In April this year, UK-based Yogurtry launched the 'hard serve' (does not need to be consumed instantly unlike soft-serve) frozen yogurt, in India, through retail stores like Spencers, HyperCity and Godrej Nature's Basket. The fro-yo craze is not limited to stand alone chains. Premium coffee retailer Coffee Bean and Tea Leaf has also introduced Frozen Swirl to its menu last month. In India, the frozen yogurt segment is nascent, industry watchers believe the market will touch Rs. 2.95 bio and 4.6 mio units in volume and value terms respectively, by 2015.
- Danone India, the Indian subsidiary of the EUR 17-bio Groupe Danone, has added a premium offering to its yoghurt portfolio — Cremix. Cremix will retail at Rs. 20 (for 100 grams), while the flavoured Danone Dahi sells for Rs. 15.
- French food giant Danone plans to launch a social business project in India to tap consumers falling in the lowest step of ladder in line with its Grameen Danone initiative in Bangladesh where it has a community-based business model to offer affordable nutrition to malnourished children through fortified yoghurt, Shokti Doi.

(Dairy continued on next page)

Dairy (Continued)

- Hatsun Agro Product is in the process of consolidating its Hatsun range of dairy products brand which gives it a national presence. Hatsun Agro's Arokya brand of milk is the largest private sector dairy brand in the country but is restricted to South India, particularly Tamil Nadu. The liquid milk brand also contributed the lion's share of the company's Rs. 13.55-bio turnover in 2010-11, which also makes it the largest private sector dairy company.
- The Andhra Pradesh Chief Minister has asked officials to launch the Rs. 60-bio State Milk Mission at the earliest. The goal of the State Milk Mission is to increase the overall milk production to 49.631 mio litres per day (67 per cent increase) and per capita milk production to 426 grams (58 per cent increase). The state government is considering a proposal to extend 25 per cent subsidy on capital expenditure made on setting up small-scale dairy units of five to ten animals each. The State, which has also announced setting up over 900 mini dairies, is also focusing on supply chain, cooling centers and processing units.
- After nearly a decade of formation of the state, milk produced in Chhattisgarh will have its own brand name. The Chhattisgarh government has decided to brand milk produced in the state as Deobhog Dugdh replacing Sanchi, the brand name that the state had inherited from Madhya Pradesh.
- FMCG majors with production units located in Uttarakhand and Himachal Pradesh could see a jump of up to 20-25 per cent in their cost of manufacturing as the finance ministry is set to withdraw the 10-year area-based tax exemption soon. The exemption would have otherwise expired on March 31, 2013. The move is expected to push up cost of butter and cheese among several others.
- Kwaliti Dairy today said it planned to raise up to Rs. 10 bio to fund expansion, that includes increasing the processing capacity of its plant in Haryana. Kwaliti Dairy has a plant at Faridabad with a processing capacity of 0.9 mio litre per day. It processes another 0.8 mio litre per day through leased facilities. Kwaliti Dairy sells products under brands like Dairy Best Pure Ghee and LivLite. It had posted a net profit of Rs. 473.8 mio over a turnover of Rs. 16.0753 bio last fiscal.

Meat

- India is losing a whopping Rs. 180 bio annually due to the dreaded foot and mouth disease (FMD) in cattle and livestock, a senior official of the Indian Council of Agricultural Research (ICAR) said. The losses are because of lesser milk production due to FMD in animals and the meat of the infected animals is not good for consumption. India has been able to eradicate Rinderpest. With the eradication of Rinderpest, milk production in the country has increased by 2-3 times, while the meat production has gone up by 17 times. After Rinderpest, FMD is the next challenge for scientists in the country. Under the 11th Five-Year Plan, the government had allotted Rs. 12 bio to fight FMD. ICAR has decided to propose an economic assistance of Rs. 40 bio for the same in the 12th Five Year Plan (2012-17).

Poultry

- Poultry farmers or egg production centers in Andhra Pradesh, the largest producer of eggs, which continue to practice the starvation force molting regimes on hens, will have to discontinue it or else face action. The practice, in vogue, especially at egg production facilities throughout India involves depriving hens of food upto 14 days. It can also involve denial of water for a couple of days. The overall intent is to manipulate the egg-laying cycle or rejuvenate the reproductive cycle so that the hen lays more eggs. Starvation force molting dramatically increases the risk of hens' laying salmonella-infected eggs. The Director of Animal Husbandry for the Government of Andhra Pradesh, has directed the Joint Directors (Animal Husbandry) and District Officers to ensure that the State's egg producers comply with the Animal Welfare Board of India's order.
- In order to cater to the organized retail and niche market, region-based poultry farms are foraying into branded eggs. According to entrepreneurs, the increasing brand consciousness among urban consumers and points of sale available at retail stores has now provided an opportunity to poultry farmers to sell branded eggs. Also, unlike unbranded eggs, these branded eggs are produced in an environment which is totally clean, hygienic and are mechanically packed. Joining the bandwagon, and in order to cash in on the growing demands, Punjab's Rajpura-based Raja Farms Pvt Ltd has forayed into branded eggs called 'Peggs'(Punjab Eggs). This is the second poultry farm from the Northern Region (excluding Delhi & NCR region) which is producing branded eggs. Before that, Karnal (Haryana) based Kansal & Kansal Agro Farms had forayed into branded Organic eggs and normal eggs.
- The poultry industry, estimated to be worth Rs. 350 bio, has been growing at a steady pace. The per capita broiler consumption has increased from 146 gm in 1970s to 2.4 kg by 2010.
- Less than three months of declaring it free from the dreaded bird flu, the virus has resurfaced in India. The disease has resurfaced in West Bengal again after a gap of 3 years. The State government has confirmed incidents of bird flu in Nadia district. Incidents of avian influenza have been confirmed in poultry samples collected from two villages in Tehatta Block 1 of the district. "Culling of entire poultry and destruction of eggs within a radius of three kilometers from the epicenter of the attack has already started", the ministry said in a statement. The government is also undertaking constant surveillance of poultry and eggs within a radius of 10 kilometers.
- Although West Bengal has confirmed incidents of avian flu and ordered culling of large number of chicken, rest of India, remains unruffled.

Aquaculture

- Fish prices across India are on the rise as the domestic market is growing at a rate of 30 per cent. The demand, which was largely metro-centric only a few years ago, is now spreading to tier-II and tier-III cities. This sudden spurt in demand is pushing up prices. Consumption of fish in India is increasing significantly due to lifestyle changes and higher cost of meat. In addition, the perception of fish as a healthy food with high levels of digestible protein, PUFA and cholesterol- lowering capability is also a major factor for its increased consumption. We are seeing this growth coming from Orissa, Andhra Pradesh and West Bengal. This has pushed up prices. For instance, pomfret, a fish that we used to export, is now entirely consumed in the domestic market. The farm shrimp that was Rs. 200 a kg a year ago has appreciated to Rs. 300 per kg.

(Aquaculture continued on next page)

Aquaculture (Continued)

- Aided by a sharp jump in unit value realization, technological upgradation, value addition and tapping of unexplored resources, seafood exports are poised to touch USD 4.7 bio by 2013-14 from the USD 2.84 bio last year. However, increase in unit value realization is seen driving the rise primarily, Mr. Anwar Hashim, President of the Seafood Exporters Association of India (SEAI), said. Vannamei exports are expected to double from 12-15 per cent of the total shrimp exports of last year to 30-35 per cent this year. While much of the growth in the coming years is expected to come from shrimp exports, the spurt in unit value realization from other seafood items is also expected to contribute to the value growth. Citing an example, sources in the trade said the unit value realization from ribbon fish exports has grown 2-3 times in the past couple of years.
- Major new markets emerging for seafood exports are from South Africa, West Asia and South-East Asia. The new destinations have also brought new items into the export basket with live and frozen fish and live crabs exports holding sway to destinations such as South-East Asia.
- Export of marine products in 2010-11 touched the USD 2.84 bio, registering a growth of 18.96 per cent in quantity, 27.64 per cent in rupee value and 33.17 per cent in dollar realisation compared to the previous year, according to Marine Products Export Development Authority (MPEDA). During the year, a total quantity of 813,091 tons, valued at Rs. 129.0147 bio (USD 2.8 bio) were shipped as against 678,436 tons valued at Rs. 100.4853 bio (USD 2.1 bio) in 2009-10. According to MPEDA, frozen shrimp continued to be the major export item from India accounting 44.26 per cent of the total dollar earnings. The overall shrimp exports during the year increased 15.4 per cent, 36.21 per cent and 42.36 per cent in quantity, rupee value and dollar value, respectively. The unit value realization of shrimp increased 23.36 per cent during FY 11. Export of frozen shrimp to USA has registered a tremendous growth of 85.6 per cent in volume and 139.92 per cent in dollar terms. Shrimp export to Japan also showed an increase of 17.03 per cent, and 40 per cent in volume and dollar value respectively. Export of Vannamei shrimp had increased to 11,896 tons. European Union continued to be the largest market with a share of 26.66 per cent in dollar realization. USA regained the second spot with a share of 15.4 per cent, followed by Southeast Asia with a share of 16.42 per cent, China with 15.45 per cent, Japan 13.14 per cent, West Asia 5.17 per cent and other countries with 7.79 per cent. Total exports to USA registered a remarkable growth of 104.78 per cent in dollar realization and 48.99 per cent in terms of volume. Increase in export of shrimp and squid contributed to the growth.
- US Food and Drugs Administration (FDA) has said that India is implementing several of FDA's recommendations that were intended to "better assure the safety of shrimp being exported to the United States." Seafood Exporters Association of India (SEAI) said that far more substantive developments have taken place in the last one year. Now shrimps from all the registered farms in the country are mandatorily tested before they can be harvested. No exporter is permitted to buy shrimps without the mandatory pre-harvest testing.
- Global shortage of marine products is helping the Indian seafood sector grow in spite of a slowdown in the developed markets, Marine Products Export Development Authority officials said.
- Aquaculture production in India during 2010-11 increased significantly over the previous year, with a 40 per cent rise in output, to 145,600 tons, valued at Rs. 35.85 bio (a rise of 40 per cent). A rise in acreage and improved prices are both responsible for the rise. The area under aquaculture rose to 50,000 hectares (ha) by the end of 2010-11, a rise of 10,000 ha over the previous year. The average farm gate price rose to Rs. 246 a kg from Rs. 200. Of the total exports of marine products of 813,091 tons in 2010-11, aquaculture items contributed 18.4 per cent. Last year, this was around 15 per cent. Of the total export value realization of Rs. 129.01 bio, aquaculture contributed 27.5 per cent. This was 20 per cent in 2009-10.

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