



# IndiaLive

LIVESTOCK, DAIRY, MEAT, POULTRY & AQUACULTURE DIGEST

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**Hindustan Studies & Services Ltd.**  
**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*

- India's annual economic growth slumped in the January-March quarter to a nine-year low of 5.3 per cent as the manufacturing sector contracted and a fall in the rupee to a record low suggests the economy remains under pressure in the current quarter.
- Central Statistics Office revised downwards the economic growth estimate for 2011-12 to 6.5 per cent from the 6.9 per cent advance estimate put out in February this year.
- The Finance Ministry sees Indian economy growing by 7 per cent plus in the current fiscal, a top official has said.
- Crisil today joined global banks to scale down GDP growth in India for this fiscal by 50 basis points to 6.5 percent citing rising downside risks from muted investment demand, continuing policy logjam, and limited fiscal and monetary space to stimulate the economy, apart from continuing recession in the Eurozone area.
- The Central Government's fiscal deficit for 2011-12 came at 5.8 per cent of the GDP, a tad lower than the revised estimate of 5.9 per cent, but the country has little to rejoice as its public debt position is worst among major emerging economies. The actual deficit number, calculated with respect to the latest GDP at current prices, however, remains way above the Budget estimate of 4.6 per cent as higher subsidy bill coupled with a shortfall in tax collections and disinvestment worsened the fiscal situation.
- The Indian economy may be facing tough and challenging times, but it is not all gloom and doom as the situation is likely to improve in the next six months, a Bizcon Survey done by ASSOCHAM has said.
- The UN has cut down its growth forecast for India for the year 2012, predicting a 6.7 per cent growth rate rather than a 7.7 per cent rise predicted earlier, while listing euro debt crisis as the biggest threat to world economy.
- The industry expects GDP growth rates to be lower than 6.5 per cent in 2012-13, shows a poll conducted by the Confederation of Indian Industry.
- International Monetary Fund (IMF) has lowered India's 2012 economic growth forecast to 6.1 per cent, from 6.8 per cent projected in April. For 2013, the growth forecast has been lowered to 6.5 per cent, the July update of the IMF's World Economic Outlook (WEO) showed. In its April 2012 WEO, the IMF had projected India's economic growth for 2013 at 7.2 per cent.
- For the first time, trade with the 27-member European bloc went past the USD100 bio mark in 2011-12. According to preliminary data available with the commerce ministry, bilateral trade with EU went up 21.5 per cent to USD110 bio during 2011-12, compared to a tad over USD90 bio in the previous year. Of this, exports are estimated to have gone up around 13 per cent to USD53 bio, which is lower than the overall export growth of around 21 per cent for India. Imports rose 28 per cent to around USD57 bio, with growth again being marginally lower than the overall number of 32 per cent. On both counts, the growth rate is also lower than what was witnessed in 2010-11.

(Food Industry Overview continued on next page)

## *Food Industry Overview (Continued)*

- The bilateral trade between India and Myanmar is expected to double by 2015, from the current level of USD 1.3 bio, on the back of free trade agreement between New Delhi and Asean region, industry body CII said.
- Disregarding sanctions threatened by the US and the EU against countries doing business with Iran, New Delhi is considering incentives for exporting select products, such as pharmaceuticals, diagnostic equipment and auto parts, to the country to improve its trade balance and help set-off part of its oil import bill. "India has been respecting the sanctions imposed by the UN against Iran. Our exports do not include products disallowed by the UN. However, we are under no compulsion to listen to the US or the EU," a government official said.
- Trade between India and Ontario, Canada's richest and most multi-cultural province, grew by 13 per cent last year, Ontario's Minister of Economic Development Brad Duguid has said. The two-way trade between Ontario and India was USD 1.81 bio in 2011, showing a growth of 13 per cent in one year.
- In order to strengthen bilateral economic relations, India has allowed foreign direct investment from Pakistan.
- India and the European Union have decided to chalk out a roadmap to complete their Free Trade Agreement (FTA) negotiations by October-November this year. The FTA – officially known as Broad-based Trade and Investment Agreement (BTIA) – is likely to be signed during the next India-EU Summit, expected to be held in November.
- The Gulf Cooperation Council (GCC) countries and India are expected conclude a free trade agreement for boosting trade within a year, K K M Kutty, former chairman of industry chamber CII (southern region), has said. The six GCC countries - Oman, UAE, Bahrain, Kuwait, Qatar and Saudi Arabia - and India have identified various potential sectors like petroleum oil and energy, gas and fertilisers, information technology, higher education, civil aviation and agriculture.
- Federation of Indian Chambers of Commerce & Industry (FICCI) and Singapore Business Federation (SBF) signed a Bilateral Cooperation Agreement to give a fillip to bilateral trade, investment opportunities, and industrial cooperation including expansion of joint ventures, technological collaboration both bilaterally and in third countries.
- India looks to double the trade with West African nations to USD 40 bio by 2015, Commerce and Industry Minister Anand Sharma said. Currently the trade between India and West African region stood at USD 20 bio.
- The bilateral trade between India and New Zealand has been growing with the latter's exports to India going up by 6.55 per cent year on year and exports from India to New Zealand increasing by over 8.7 per cent. While the current two-way trade is USD1.3 bio, the target is to take it up to USD3 bio by 2014.
- With an aim to boost trade ties, India and Russia have agreed to jointly study a Comprehensive Economic Cooperation Agreement with Belarus-Kazakhstan and exuded confidence to achieve ambitious trade target of USD 20 bio by 2015.

(Food Industry Overview continued on next page)

## *Food Industry Overview (Continued)*

- Amid global economic problems, the government has unveiled 7-point strategy to boost exports which include extension of interest subsidy scheme by one year till March 31, 2013. The coverage of the scheme (interest subvention) has been expanded to include other labour-intensive sectors namely toys, sports goods, processed agricultural products and ready made garments.
- Global agency Moody's has retained outlook on India's rating at stable despite slowdown in GDP growth rate. Moody's Investors Service in a statement said, "It is maintaining its stable outlook on India's rating as various credit challenges -- such as weak fiscal performance, tendency towards inflation and an uncertain investment policy environment -- have characterised the Indian economy for decades, and are already incorporated into the current Baa3 rating"
- To address investor concerns over taxation issues, the Finance Ministry has proposed a monetary limit for invoking the controversial General Anti-Tax Avoidance Rules (GAAR) in its draft guidelines. Although the draft did not specify the monetary limit, it said that those deals which are over a prescribed limit should be covered by GAAR provisions. The guidelines further said that GAAR provisions would be invoked only in cases where FIIs choose to take the benefit of double tax avoidance treaties. The provisions, it said will apply only to the income arising to taxpayers on or after April 1, 2013. GAAR may not be invoked in case of treaties with some countries where there is Limitation of Benefits (LoB) clause, such as India-Singapore double taxation avoidance agreement. The LoB provisions limit the residents who may be granted treaty benefits and, thus, prevent treaty shopping practices. However, GAAR would be invoked even with LoB in exceptional cases if it is apparent that an investor has abused the treaty. Various FIIs, such as P-note holders or pooled funds, would not be required to pay any tax in India on capital gains on sale of Indian assets, even if they were routing their investments through low-tax jurisdictions to claim treaty benefit.
- With a sharp rise in the import bill and an economic downturn, India's current account deficit (CAD) shot up to USD 78.2 bio (4.2 per cent of gross domestic product) for the year ended March 2012, from USD 46 bio (2.7 per cent of GDP) the previous year. This is the highest level of CAD ever — both in absolute terms and as a proportion of GDP — according to the Reserve Bank of India.
- The economic growth in emerging markets slowed in the April-June quarter because of weakness in the manufacturing sector as well as below-trend expansion of the services sector, an HSBC survey said. Among the big-four emerging markets, expansion in Brazil and China was lower than India and Russia.
- The Food Safety and Standards Authority of India (FSSAI) has said it is working on developing quality standards for imported products.
- Free trade agreements cannot be credited for increase in intra-Asian trade as they are often restrictive in scope and difficult to implement, Asian Development Bank said. Despite the fact that there were 190 FTAs involving at least one Asian country at the last count in January, only a small percentage of the region's exporters and importers are using the agreements, the ADB said.
- India's exports are likely to accelerate to USD 500 bio by 2014, Commerce Minister Anand Sharma said, from USD 303.7 bio in the fiscal year that ended in March. Exports are expected to grow 20 per cent in the current fiscal year, he said.

## Dairy

- Vadilal Industries — Ahmedabad-based purveyor of ice cream and frozen desserts — has chosen to embark on a large expansion plan in North India to increase its market share, which currently stands at 20 per cent. Already a force to reckon with in Gujarat and Rajasthan, the company has pumped Rs. 1.2 bio into its operations to scale up the manufacturing capacity of its plant in Ahmedabad, as well as the one in Bareilly, Uttar Pradesh. These plants will increase output from 225,000 litres per day (lpd) to 375,000 lpd. Vadilal is looking to double the number of its exclusive ice-cream retail outlets — Happinezz Parlour — in Uttar Pradesh, Delhi-NCR, Uttarakhand, Punjab and Haryana over the next two years. It also plans to add 3,000 retail points-of-sale in Uttar Pradesh alone, in addition to the 10,000 such points across North India.
- India's ice-cream market, estimated at Rs. 25 bio, is growing at an annual rate of 18 per cent. Of this, about Rs. 15 bio is controlled by organized players — Amul, with annual ice cream sales of close to Rs. 4 bio, is the market leader; while Vadilal is second with Rs. 3 bio of revenues. But, competition is getting fierce, with regional brands like Nagpur's Dinshaws and Bhopal's Top n Town trying to eat into their business.
- Mother Dairy — a leader in the northern Indian ice cream market — is expanding its network to other areas like Mumbai and planning on opening a staggering 7,000 outlets across India over the next two years. The company is aiming for a national footprint by the end of 2012-13.
- Havmor ice cream has increased its retail sales points to 15,000 in Gujarat, Rajasthan, Madhya Pradesh and Maharashtra.
- The Cabinet Committee on Economic Affairs has decided to lift a ban on the export of skimmed milk powder (SMP), aimed at boosting earnings of farmers selling milk.
- India, the world's largest milk producer, expects production of about 127.3 mio ton in 2011-12. The country's dairy industry, which is growing at 10 per cent annually, is expected to touch Rs. 5,000 bio by 2015, Assocham said in a recent report.
- Mother Dairy is going to invest 2.5 times more than last year on its cold chain, in a bid to increase its national footprint. The Rs. 5.50-bio company is hoping to achieve a 35 per cent growth this fiscal. In the next one year, the company wants to be present in all metros and mini-metros. In the north, it would also be present in small towns.
- Mother Dairy, the largest milk supplier in National Capital Region, has launched an eco-friendly van 'Kamdhenu' to cart loose milk in different parts of Delhi and adjoining regions. The vans, which will run on CNG, will bring safe, hygienic milk to the doorstep. The step is part of dairy major's efforts to do away with 5.75 tons of plastic pollutants daily in and around the National Capital.
- Punjab Government has chalked out a special programme to increase milk production in the state. It plans to spend Rs. 930 mio on it during 2012-13. Punjab Government has bought 0.3 mio doses of foreign semen from the US and Canada for improvement of cow breeds in the state.
- Rajkot District Co-operative Milk Producers Union Limited, well-known as Rajkot Dairy has increased milk procurement price by Rs. 15 to Rs. 505 per kg fat from June 11, 2012. In April 2012, Rajkot Dairy had increased procurement price to Rs. 490 per kg fat from Rs. 460 per kg fat.

(Dairy continued on next page)

## *Dairy (Continued)*

- AMUL-maker Gujarat Co-operative Milk Marketing Federation (GCMMF) crossed 2011-12 with USD 2.5 bio turnover, a 20 per cent growth of 2010-11. Aspiring to make AMUL a USD 3 bio brand in the current fiscal, GCMMF would invest Rs. 30 bio over the next four years to increase its milk handling capacities by 30 per cent.
- GCMMF is targeting a more than two-fold jump in turnover to Rs. 300 bio in the next 7 years. "We expect to achieve a turnover of Rs. 300 bio by 2018-19 as we are growing by over 20 per cent in our milk, ice creams and cold beverages segments. Earlier the target was set to be achieved by 2020", GCMMF Managing Director R S Sodhi said.
- GCMMF expects to increase its exports by 20 per cent on the back of surging demand. The federation is exporting products like butter, cheese, ghee and sri khand worth Rs. 1 bio, at present. Amul brand has significant presence in overseas markets such as Mauritius, the UAE, the US, Oman, Bangladesh, Australia, China, Singapore, Hong Kong and a few South African countries.
- GCMMF aims to open 1,000 more outlets across the country in the current fiscal.
- GCMMF is unlikely to further increase milk prices this year on account of surplus availability, a top company official said.
- Months after milk cooperative Amul shot off a legal notice to dairy products-maker Nestle alleging trademark infringement, the multinational has filed a suit against Amul at Delhi High Court claiming ownership over a dairy brand a+. Gujarat Cooperative Milk Marketing Federation (GCMMF) that owns brand Amul claims to have been using the brand A+, (in capital letters) since one year, however, Nestle has now taken the brand ownership battle to courts. Amul has also approached the Intellectual Property Appellate Board (IPAB) seeking rectification of trademark a+ and the matter is pending.
- Pune based Parag Milk Foods, the maker of Gowardhan brand of milk, curd, ghee and cheese, will soon make a foray into milkshakes segment as well. The company is also expecting a growth of over 35 per cent this fiscal on the back of aggressive expansion plans. It had revenue of Rs. 8.75 bio in FY 2012. The company is expecting to touch around Rs. 12 bio this fiscal. The company is also increasing its distribution network and should be present in 100 towns soon. The company has invested close to Rs. 1.10 bio for a plant in Andhra Pradesh, which has ultra heat treatment technology.
- Indian makers of dairy products are scouting for investors to fund their expansion plans, setting the stage for potential private equity (PE) deals in the world's biggest milk-producing nation. While Kwality Dairy is looking to raise about Rs. 5.70 bio (USD 100 mio) from PE funds, Ahmednagar-based Prabhat Dairy is in talks with funds such as Infrastructure Development Finance Company (IDFC) and Abraaj Capital to raise up to Rs. 1 bio. Creamline Dairy, which sells the Jersey brand of dairy products, is also planning to raise about Rs. 1 bio. Pune-based Parag Milk Foods, which raised Rs. 600 mio from Motilal Oswal Private Equity in 2008, is planning to raise another Rs. 4-5 bio.
- Pune-based Parag Milk Foods, the makers of Gowardhan brand milk, curd, ghee and cheese, plans to go public within the next two years and will soon hike its prices by at least 5 per cent.
- Domestic prices of SMP have declined to Rs. 150 per kg now against Rs. 190-200 per kg in the same period last year.

(Dairy continued on next page)

## *Dairy (Continued)*

- India has extended the ban on milk and milk products from China for another year till June 2013, according to the foreign trade office. "Prohibition on import of milk and milk products (including chocolates and chocolate products and candies/confectionary/ food preparations with milk or milk solids as an ingredient) from China is further extended till June 2013, or until further orders", the Directorate General of Foreign Trade (DGFT) said in a notification. The ban had ended on June 24 this year. Imports of milk and milk products from China have been prohibited since September 24, 2008. Though the DGFT has not cited any reason for the ban, it is understood it was over fears of Chinese milk containing melamine, a deadly chemical.
- Korea-based frozen yogurt maker Yogurberry said it will set up seven fresh stores in the country by end of next year and another 100 over the next five years. The expansion plan will begin with new stores in Chennai and Bangalore, and additional stores in cities like Delhi-NCR and Mumbai. The company has set up its operations in India through Dubai-based franchise operator - Synergy Holdings - as its master franchise. To cater to Indian taste buds, Yogurberry has tweaked its menu and launched products like yogurt sundaes and smoothies based on local tastes and toppings.
- Yogurt makers like Cocoberry, Amul and McDonald's are offering smaller packs with lower price tags to penetrate new markets and jack up the volumes in the Indian cities. Cocoberry has reduced the yogurt pack's weight from 90 gm to 60 gm with price tags correspondingly going down from Rs. 54 to Rs. 30. Amul offers 100 gm of yogurt for Rs. 30.
- Cocoberry is frozen flavoured yogurt maker with a turnover of nearly Rs. 160 mio in 2011-12. The company currently has 50 outlets in nine cities and plans to introduce two retail formats – Café Cocoberry and Cocoberry2Go.

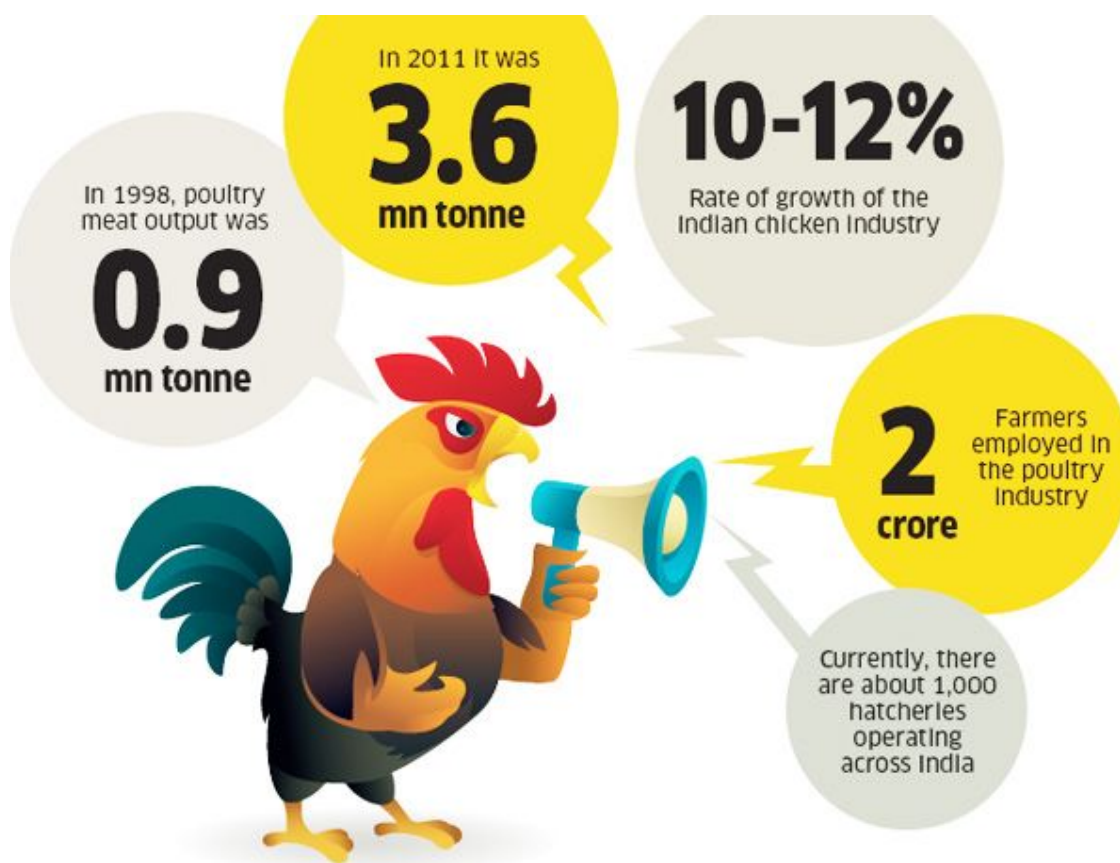
## *Poultry*

- The US has asked World Trade Organization (WTO) for setting up of a panel regarding its complaint about India's import restrictions on US poultry and other products. In February 2007, India banned imports of poultry products from the US to prevent any outbreak of avian influenza. The US demand on setting up of a panel was made on June 13 during the consultation process under the dispute settlement mechanism of the WTO. The US has been arguing that India has not provided scientific evidence in line with international standards on avian-influenza control. Consultations are first step in the WTO dispute settlement process and parties are encouraged to agree to a solution at this stage.
- African countries present significant business opportunities for the Indian poultry industry for setting up hatcheries through joint ventures or supplying feed and technology for value-addition. Ms Jerusalem Amdemariam, Minister Counsellor- Economic and Business, Ethiopia, Ms Maria Fatima Phume, Deputy High Commissioner, Mozambique High Commission, and Ms Susan Sikaneta, High Commissioner, High Commission of the Republic of Zambia, extended a "red-carpet invitation" for Indian entrepreneurs to invest in these African countries.

(Poultry continued on next page)

## Poultry (Continued)

- NABARD's Poultry Venture Capital Fund scheme supports a wide range of activities which include establishment of breeding farms for birds, grower units, hybrid layer and broiler units, feed mixing plants, transport vehicles, retail outlets, poultry dressing plants, cold storage for poultry products, large processing units, emu processing units, etc. During 2011-12 a subsidy of Rs. 43.5 mio was released for establishment of 189 units. Budget allocation for the current financial year is Rs. 300 mio. The aid is in the form of a back-ended subsidy amounting to 25 per cent of the project cost for general category beneficiaries. Higher level of subsidy of 33.33 per cent is available for special categories of beneficiaries like SC/ST farmers and those living in north-eastern parts of the country.

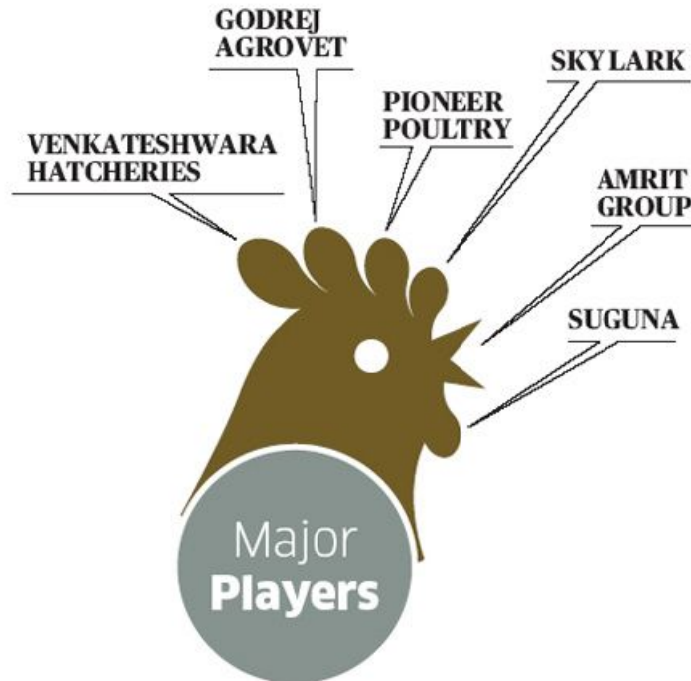


Source: Economic Times 1 Crore = 10 million

(Poultry continued on next page)



## Poultry (Continued)



Source: Economic Times



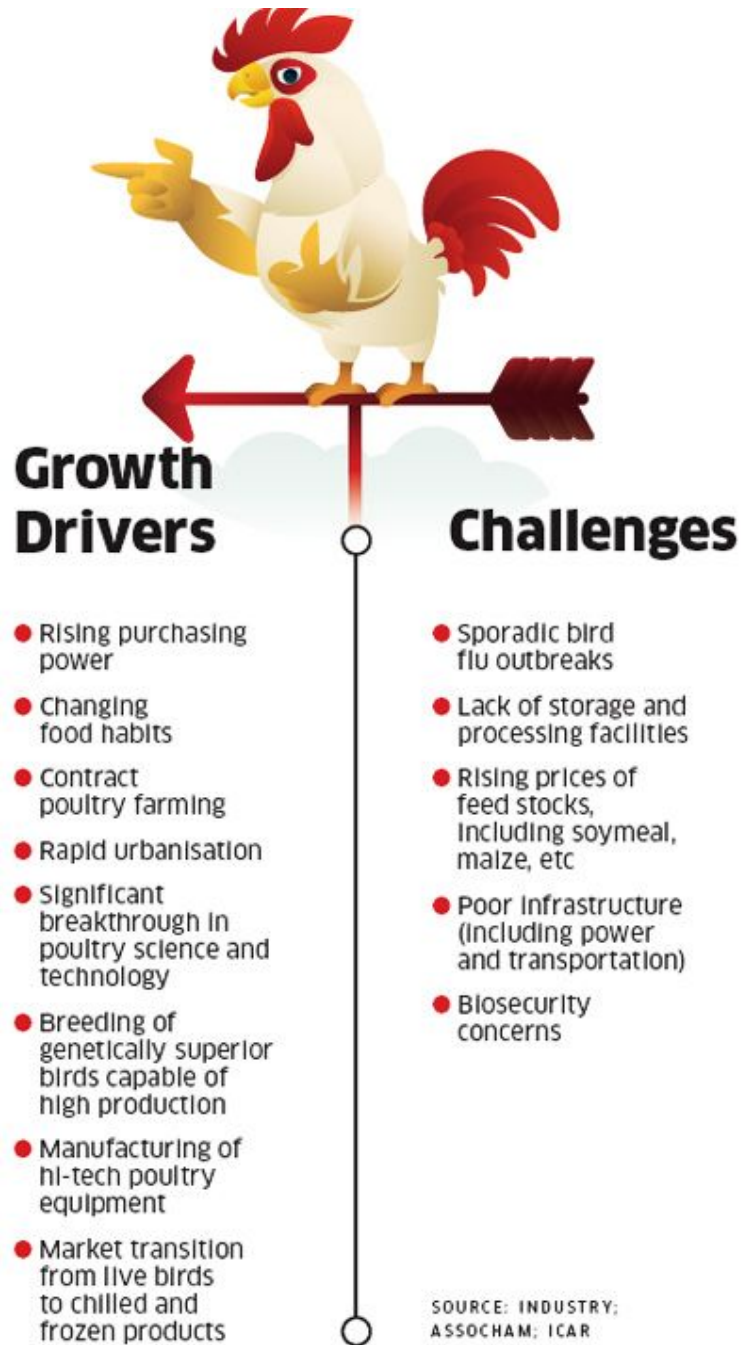
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## Poultry (Continued)



Source: Economic Times

## Meat

- Buffalo meat exports have doubled in three years between 2008 and 2011 and are set to scale further heights. In 2011, India edged out the US as the third largest exporter of beef (including buffalo meat). "India is forecast to become the world's leading beef exporter in 2012 due to an expanding dairy herd, efficiency improvements, increased slaughter and price-competitiveness in the international market particularly vis-à-vis Brazil," the USDA said in its report in April. "We exported Rs. 80 bio worth buffalo meat in 2010-11 and it could have easily topped Rs. 130 bio last fiscal," said an Apeda official. (Full details of 2011-12 exports are not available yet). Though there has been a drop in the value in the rupee, he said it could at the most contribute an additional Rs. 10 bio.

## Aquaculture

- Marine product exports are estimated to have grown by 20 per cent to USD 3.42 bio in the last fiscal on the back of increased shipments to South East Asia, Japan and the US. The country had shipped marine products worth USD 2.85 bio in 2010-11 financial year. Export of frozen shrimp and fish have registered a positive growth both in quantity and value. The shipments of frozen squids and cuttlefish have also witnessed a rise in value terms, The depreciation in the value of Indian rupee against the US Dollar has also helped in the increase in value of marine exports from the country. India's marine exports include black tiger shrimp, fresh water prawn shrimp, frozen versatile fish, frozen skip jack and frozen squid and the consignments are mostly from Maharashtra, Kerala, Tamil Nadu and West Bengal.
- The Central Government is planning to rope in global companies for the revival of Black Tiger shrimp farming in the country. "Firms from Hawaii and Thailand have shown interest; we are evaluating their credentials. We want them to introduce seeds that can increase the yield of Black Tiger shrimp, which is as low as 0.5 ton to 1 ton a hectare", said a senior official of animal husbandry and fisheries department. This variety, also known as giant tiger prawns, is the most popular item in the Asian, European, and American markets. But the higher cost of production and its vulnerability to marine diseases forced domestic hatcheries to switch over to higher-yielding varieties like White Leg shrimp, which produces 5-10 tons per hectare. India had been the only producer of Black Tiger variety, a native to the Indian and Pacific Ocean. Its reintroduction into the country's aquaculture farms is likely to boost the shrimp exports, which are growing at a rate of 20-22 per cent annually.
- The fear of ban in Indian seafood exports to China from June 1 has been effectively resolved, Marine Exports Product Development Authority (MPEDA) sources said. China has agreed to accept the format of the inspection and quarantine certification to be issued by the Export Inspection Council of India. China is a major market for Indian seafood with nearly Rs. 20 bio of exports in the last financial year. During 2010-11, India exported 159,147 tons of seafood products to China, which fetched Rs. 19.778 bio. In terms of dollar realization, China accounts for 16 per cent of Indian seafood exports. China is major importer of Ribbonfish from India.
- Fisheries output in the country could touch the 10-mio-tons-mark soon. From 6.5 mio tons six years ago, the output increased to 8.4 mio tons last year.
- During 2011-12, the Government spent Rs 1 bio for development of fisheries through National Mission for Protein Supplements. Under this scheme, cage culture in reservoirs and intensive aquaculture in ponds and tanks were being promoted. This scheme would be continued in 2012-13 with an outlay of Rs 2 bio.

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