



IndiaNews

FOOD & FOOD INGREDIENT REVIEW February March 2007

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For the past many issues, we have been talking of the good news from the Indian economy. Now come some words of caution! *The Economist* believes that India's current pace of expansion may not be sustainable. The esteemed journal pours cold water on the country's much-touted 9 per cent growth story, stating "Perhaps the only thing really growing faster in India than China is hype".



Mr. P. Chidambaram, the Finance Minister of India does not seem to agree with the critical view. In the Economic Survey 2006-07 presented to the Parliament, he was bubbling with enthusiasm and talked of India moving to a phase of high growth from a phase of moderate growth.

Standard & Poor's is expecting economic growth and inflation to moderate in financial year 2007-08. Its projection for the year is 7.9-8.4 per cent - a slight slowdown from the current year's performance. In their view, impact of interest rate increases and liquidity constraints will lead to lower growth.

We tend to the side of Standard & Poor's. Inflation and increasing prices have been a cause of worry for the Government of India in the past weeks. To control prices and keep inflation under check, the government and Reserve Bank of India (RBI) have taken many measures. RBI has increased the cash reserve ratio leading to reduction of liquidity in the system. Interest rates have been raised by all banks.

The government, on its part, has banned futures trading in wheat and rice. Exports of pulses, wheat and milk powder have been banned. Corn export can now be done only through state agencies. Imports of corn and pulses are now duty-free. In spite of all these measures, inflation and prices have not cooled down as much as the Government would wish.

On the other hand, the sugar industry is spending sleepless nights over falling prices. Sugar has become cheap due to the anticipated glut in production. To add to the woes of the industry, the prices of bagasse and molasses have also been falling. In this depressing scenario, the most inexplicable is the behaviour of the Indian public-sector petroleum companies. Blending of ethanol with petrol has failed to take off, even though the government has repeatedly announced mandatory blending. The sugar industry is pinning its hopes on exports. Let us hope that Indian sugar does not turn bitter for its producers.

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Another industry that has its fingers crossed at the moment is the Indian poultry industry. Avian Flu has made its presence felt in Bangladesh and Pakistan. This has sent shivers down the spines of Indian poultry farmers. As the mercury soars across the Indian sub-continent, they hope that the virus will skip India. Of course, the farmers' major worry is the high price of corn. They are desperately looking for alternative feed materials, without much success so far.

It is the Indian aquaculture industry that is smelling success in the case of anti-dumping duty imposed on Indian shrimps. While a final judgement may still be many months away, the mood is no longer of despair but of hope. The sad part is that Hindustan Lever Ltd., which suffered the most in this matter, has decided to exit the marine business.

In the previous issue we reported on the feud between Danone and Wadias over Britannia. It seems that the two are moving towards an amicable parting of ways. While Danone may be looking towards exiting Britannia, another past owner of Britannia – Nabisco – is once again exploring ways of entering India.



Talking of multinational giants entering India, we report in this issue about Lavazza of Italy buying the Barista coffee chain. Norway's Orkla has acquired MTR Foods, while Hershey is acquiring majority stake in the food and beverage business of the Godrej group. Tata Chemicals and Ireland-based Total Produce have agreed to forge a 50:50 joint venture company, which will distribute fresh fruits and vegetables in India. Auchan from France is shaping up its Indian plans.

While some may doubt the success of Indian economy and some others may be lowering their projections, it is clear that significantly large number of global business houses continue to look upon India as a land of vast opportunities.

On our part at IndiaNews, we are neither with the critics nor with the ones who glamourize and praise India to the point of exaggeration. We strive to take a balanced business-like view of the problems, opportunities and complexities of India. We feel that India is a developing country, which is growing at a high rate and which has all the problems that one would expect in a developing country.

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