IndiaNews

FOOD & FOOD INGREDIENT REVIEW

August September 2004

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IndiaNews
Food & Food Ingredients Review

Editorial

In the last issue of IndiaNews, we reported about India-Thailand Free Trade Agreement (FTA) and talked of the possibility of an FTA with ASEAN. More FTAs with many other countries appear to be in the pipeline. India has already signed a Framework Agreement for an FTA with GCC (Bahrain, Qatar, Oman, UAE, Kuwait, and Saudi Arabia). Malaysian delegation was in India to negotiate an India-ASEAN FTA. South African Customs Union (South Africa, Namibia, Botswana, Lesotho, and Swaziland) is slated to sign a Preferential Trade Agreement, which will in a year's time give way to an FTA. Even Japan wants to renegotiate its trade arrangement with India and an FTA is not ruled out.

The frantic rush for signing FTAs is a new phase in the globalization of India. The FTA with Sri Lanka has performed well. Bilateral trade between the two countries increased by 128 per cent over the last four years. There were just a few problems and they could be sorted out amicably by mutual discussions. This has given some confidence to India. On the other hand, various developing / non-industrialized countries are seeing India as an opportunity at a time when the US and European markets are reaching saturation levels with low growth prospects.

The five-year Foreign Trade Policy announced by Government of India in the last week of August should be seen in the light of the overall policy direction of the country. The policy has launched a new scheme to establish Free Trade and Warehousing Zones to make India a global trading hub. These zones will be established in areas proximate to seaports, airports or dry ports so as to offer easy access by rail and air. The zones will be catering to traders of neighbouring countries too, as they will be supplying their stocks on demand since they are given leeway to carry out trade in free currency.

One only hopes that neighbouring countries use the above zones properly. Nepal, a neighbouring country, has been giving sleepless nights to many Indian corporate houses. Maoist rebels have served notice on many Indian establishments to close shop. At the moment, Indian companies are acting brave and declaring their intent to continue their operations in Nepal. Let us hope that the situation in the mountain kingdom will soon ease.

Worries of Indian food industry are, however, not just from the neighbours. Preliminary anti-dumping duty imposed by the US commerce department on shrimp exports from India and other countries has forced seafood exporters to seek new avenues and to develop more value-added products. European Union has introduced traceability norms, which will be applicable to exporters of grapes, pomegranates, gherkins, mangos, poultry, eggs, honey, milk etc. Indian food manufacturers will have to learn to adapt with such new tariff and non-tariff barriers of developed countries like the EU and the US.

Indian companies are developing many strategies to face the changing circumstances. An interesting case is that of Candico – a Delhi-based confectionery company. With increasing presence of multinational confectionery companies in India, most domestic companies are finding the going tough. Candico has decided to become a global company by going to countries, which are too hot for multinational companies. Candico is focusing on African countries, which are facing political or economic strife or instability. Of course, Candico's low-cost manufacturing techniques and mass distribution skills are very useful in these countries.

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Candico's strategy may be offbeat, but it is not as unusual as the planned diversification moves into food industry by giants like Airtel (Bharati Enterprises Ltd.) and Reliance group. Bharati is foraying into export of fruits and vegetables, while the Reliance group will use its network of WebWorld showrooms and petrol pumps to set up the country's largest chain of coffee shops. Bharati's Airtel operates cellular and basic telephone services in many states. There seems to be no synergy of the proposed agro business with the present business of the company. Similarly, an automobile battery manufacturer is getting into food business. One wonders if these businessmen are sensing a gold rush that some others are unable to see.

Time alone will decide whether the new entrants to Indian food and beverages sector will find gold or hit dust. But, an Indian sugar company deserves special mention for pioneering a new way for making money from improving efficiencies. Balrampur Chini is trying to sell its Certified Emission Reductions to Netherlands for EUR 8 million. If Balrampur succeeds, Indian sugar industry will have one more reason to modernize.

Notwithstanding both positive and negative developments, the Indian food industry is growing, modernizing and developing a global vision. Getting a foothold in this market may not be difficult today, but as time passes, things are bound to change. We at IndiaNews are committed to helping you understand this market and to holding your hand as you make your first cautious moves.

A restaurant by the side of a road in rural India - such a place is called *dhaba*. When travelling by road in India, be prepared to have food, snacks, tea and aerated beverages at such a *dhaba*.