



# IndiaNews

## FOOD & FOOD INGREDIENT REVIEW August September 2004

### CONTENTS

#### Editorial

#### Food Industry Overview

- [p.3](#) Draft free trade pact with GCC  
Government keen on FTAs with Asean, Africa  
India, Thailand sign protocol  
India's trade agreement with Africa  
FTA boosts India, Sri Lanka trade
- [p.4](#) FICCI study forecasts growth for food industry  
Duty-free import of capital goods for agri exporters  
Rabo to draft road map for food processing  
Policy to promote India as a trading hub
- [p.5](#) Trends in foreign trade  
Japan wants to redo trade pact  
35 Indian firms asked to close shop in Nepal  
Food processing sector growth
- [p.6](#) Rainfall situation a re-run of 2002  
Monsoon seen ending 12 pc below normal  
NCDEX begins demat delivery of agri goods
- [p.7](#) Commodity prices turn bullish  
Inflation soars  
Giants prepare small packs strategy

#### Aquaculture

- [p.8](#) Responding to US anti-dumping duty  
Logo scheme for value-added seafood products  
Seafood exports down  
India biggest inland fish producer after China

#### Dairy, Meat & Poultry

- [p.9](#) Buffalo meat exporters bullish as Saudi lifts ban
- [p.10](#) Meat exports on the rise  
Poultry output expected to rise
- [p.11](#) Godrej plans to double Real Good Chicken turnover  
Poultry feed analysis lab  
Bird flu fears continue
- [p.12](#) Venkateshwara to set up bird breeding farm in West Bengal  
Venkateshwara to set up retail outlets  
Vaccine order from Iraq
- [p.13](#) Big Sipp flavoured milk from Amrit Foods  
Buttermilk in tetrapak  
Dairy exports to gain momentum  
Milk, ghee prices crash on monsoon arrival  
Mother Dairy launches ghee

#### Alcoholic Beverages

- [p.14](#) Sweet sorghum for production of ethanol  
AP to encourage ethanol plants
- [p.15](#) Molasses prices hit liquor companies hard  
Pakistani brewery looks for tie-ups in India  
Molasses shortage forces imports
- [p.16](#) Global brewers keen on UB stake  
UB, Shaw Wallace end war  
UB inks bottling pacts in Thailand, Sri Lanka and Pakistan  
UB in Australia and Sri Lanka
- [p.17](#) UB group's whisky growing fastest in the world  
Radico Khaitan to distribute scotch whisky  
Indian brandy brand is now world no. 1  
New whisky in Punjab
- [p.18](#) SWC plans re-entry into rum  
Radico Khaitan's plant in Uttaranchal  
Old Monk losing steam as Celebration gains
- [p.19](#) Inver House signs agreement  
New blended whisky  
Allied Domecq to increase stake in Indian arm
- [p.20](#) Rockman to take over Rajasthan Breweries  
Wine in cartons and PET bottles  
Smirnoff Red holds its own against variants

[Contents continued on next page ...](#)

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## FOOD & FOOD INGREDIENT REVIEW August September 2004

### CONTENTS (Continued)

#### Non-alcoholic Beverages

- [p.21](#) Lower growth for soft drinks  
Parle Agro, Rasna take new affordability route  
Rasna gulps 93.5% market share
- [p.22](#) Rasna plans new plant in Uttaranchal  
Coca Cola shuts plant in Nepal  
Apple juice from Kashmir  
Limited editions Mirinda flavours
- [p.23](#) Pepsi looks at packaging  
Pepsi to test Gatorade
- [p.24](#) Coke, Pepsi – small bottles to cost more  
Coca-Cola Sabco buys bottling operations  
Coke targets rural consumers
- [p.25](#) Palm drink from Kerala

#### Tea

- [p.25](#) Cheap teas drive export growth  
Rising tea prices upset Pakistan
- [p.26](#) Indian tea loses interest in Iraq  
Tea output dips; exports increase  
Cheap Vietnam teas sold as Indian origin
- [p.27](#) Lipton ice tea launch  
Tata Tea looking for buyouts  
Dhunseri on the prowl for estates

#### Coffee

- [p.27](#) Café Coffee Day expansion
- [p.28](#) Coffee output seen lower than board estimate  
Coffee catching up in Punjab  
Coffee World enters India  
Coffee exports taper off
- [p.29](#) Barista Coffee brews expansion  
Tatas to sell off stake in Barista  
Reliance brews huge coffee plans
- [p.30](#) Coffee Day Xpress to install 400 kiosks  
Vending machines for households

#### Food Service & Retailing

- [p.30](#) McDonald's growth in India hit by poor infrastructure  
McDonald's kiosks
- [p.31](#) Mouawad buys out stake in Pizza Corner  
Three sister chains of Pizza Corner  
Pizza Corner plans overseas push  
Rasna plans branded stores

#### Food Service & Retailing (Contd.)

- [p.32](#) Pizza Hut to foray into non-metros  
Pizza Hut slashes prices  
Olive oil restaurants  
Nirula's to invest Rs. one billion
- [p.33](#) RPG to launch Spencer's hypermarkets  
ITC's giant rural mall
- [p.34](#) Shopper's Stop goes public  
Canteen Stores Department going modern  
DLF to invest in malls  
Trent's new chain for budget-conscious  
Retailers want adoption of barcode
- [p.35](#) Subhiksha to go north  
Indo Rama shelves retail plans

#### Snacks

- [p.35](#) Perfetti to pump in Rs. 2 billion  
Packed ready-to-eat *biryani*  
Amrutanjan's Affair
- [p.36](#) Going where MNCs don't dare to  
India-inspired cookies go global  
Parrys Confectionery renamed as Lotte India
- [p.37](#) Bakeman's facility goes to Ceylon  
Bakeman's sell-off in litigation  
HLL launches 'diet bread'  
Lotus eyes low-end chocolates
- [p.38](#) Britannia to outsource 70 per cent  
ITC to add capacities in biscuits  
ITC withdraws Bischips  
Chocolate sales turn bitter  
Cadbury plans gums foray

#### Culinary Items

- [p.39](#) Nestle to Indianize Milo  
Rice treat from Satnam  
Baking mixes from General Mills  
Chilli variant of Heinz tomato ketchup  
Dabur Foods eyes institutions
- [p.40](#) Supreme Court strikes down ban on *gutkha, pan masala*  
*Karela* pickle from Tops  
Tops to enter ready-to-eat segment  
Demand for coconut products set to continue

[Contents continued on next page ...](#)



# IndiaNews

## FOOD & FOOD INGREDIENT REVIEW August September 2004

### CONTENTS (Continued)

#### Culinary Items (Continued)

- [p.41](#) Natural sweetener minus sugar  
Merisant may launch zero-calorie chocolate  
Wrigley rolls out sugar-free chewing gum  
Readymeals Combo Packs from ITC  
New instant mixes from MTR  
The Park rolls out sauces
- [p.42](#) Desai Brothers on the prowl for brand acquisition

#### Sugar

- [p.42](#) Sugar mills hike ethanol prices  
Bajaj Hindusthan to expand
- [p.43](#) Sugar output may fall  
Government rules out sugar imports  
Zero duty raw sugar imports
- [p.44](#) UP mills contract sugar imports  
French sugar company in India  
Selling carbon credits

#### Oils

- [p.44](#) Sesame prices may remain firm
- [p.45](#) GM groundnut ready for trials  
Caution about oilseeds output  
Pak buys soyameal
- [p.46](#) Tariff rate on edible oils cut  
Friction in Cargill, Parakh JV
- [p.47](#) Edible oil imports halve during May-July  
Bunge may buy Ruchi's plant
- [p.48](#) Adani to set up castor oil refinery

#### Spices & Flavours

- [p.48](#) Vanilla trade pauses for Madagascar arrivals  
Vanilla price crash
- [p.49](#) Gujarat's salt makers in a pickle  
Salt Exports  
Processing units for large cardamom
- [p.50](#) Cardamom offtake may rise as ban on *pan masala*  
goes  
Guar gum prices on roller coaster
- [p.51](#) Tata Tea to close spice centre  
Restrained from using Ajinomoto trademark  
Sri Lanka asked to curb third party import of pepper
- [p.52](#) Domestic Prices

#### Petfood

- [p.51](#) New variants from Pedigree

#### Foodgrains

- [p.53](#) EU to allow duty-free import of brown basmati  
Corn may rule firm  
Pulses output hit  
No grain exports for one year
- [p.54](#) Foodgrain output – Government has hopes, others disagree  
New variety of sorghum
- [p.55](#) Patent granted for wheat hybrid

#### Fruits & Vegetables

- [p.55](#) Patent granted for wheat hybrid  
New potato processing technology from USA  
Fruit and vegetable chain on expansion spree
- [p.56](#) Ladakh Berry in new lap
- [p.57](#) J&K sends out vegetables for the first time  
From batteries to food  
Walnut exporters seek duty-free import  
Almond imports may dip
- [p.58](#) Himachal set to achieve bumper apple crop  
First shipment of mango pulp to China  
Traceability norms for grape exports to EU  
Markfed plans pack house
- [p.59](#) Telecom major forays into fruits & vegetables  
Dabur to export fruit pulp  
Dabur eyes rise in exports
- [p.60](#) Towards pesticide-free vegetables and fruits

#### Biotech

- [p.60](#) Single window body for GM crops  
A dozen GM seeds in pipeline
- [p.61](#) Shriram Bioseed pact with Icrisat  
Godrej buys stake in Avesthagen  
Biotech industry racing towards USD 1-billion mark

#### Major Food Companies

- [p.62](#) Dabur not to pull out of Nepal venture  
Reliance plans biotech foray  
Dabur to focus on south

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.

[\(Continued on next page\)](#)

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*.