



# IndiaNews

## FOOD & FOOD INGREDIENT REVIEW October November 2003

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IndiaNews is published every 2 months by:

**GIRACT**

24 Pré Colomb, 1290 Versoix – Geneva  
Switzerland  
Tel +41 22 779 0500  
Fax +41 22 779 0505

[info@giract.com](mailto:info@giract.com)

<http://www.giract.com>



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October 2003 was a month that Cadbury India would like to forget as quickly as possible. Unfortunately, it would continue to haunt the company for a long time to come. Customers complaining of live worms, authorities seizing stocks, day-after-day, media carrying stories about worms and fungus in Cadbury chocolates – nothing can be worse for a food company.

It was not long ago that the pesticide controversy had shaken up packaged water and cola manufacturers. Pesticide residues are measured in parts per million or billion and need sophisticated sensors to detect them. On the other hand, live worms can be seen by naked eyes without the use of any instrument. Customers can probably learn to live with pesticide residues but surely not with live worms.

Cadbury India's first reaction was to blame it all on the retailer. This backfired. In its hour of crisis, the company needed the support of retailers. Instead of working together with them to solve the problem, the company antagonized them. It took the company some time to work out a strategy to face the crisis. The loss of consumer confidence that Cadbury India has suffered will take months and probably years to overcome. The senior people in the company have realized that they need to restore the faith of consumers and retailers in the company's products. We can only wish them good luck.

The other sector that has been in the news is the retail market. Department stores, hypermarkets, and shopping malls had been making their presence felt, but the arrival of Metro cash-and-carry in Bangalore was an event that no one could miss. Metro is not a retail store. It intends to cater to the b-to-b segment. Yet, wholesalers as well as retailers in Bangalore were up in arms against the store. Emotions reached such peaks that politicians and the Government had to sit up and take notice.

Organized retailing is just entering the country. So far, it had not affected the small family-owned retailer. But, as organized retailing grows, it is bound to come in conflict with the traditional channels. Shopping malls are coming up all over the country. Fears are already being expressed about their viability. It will be interesting to watch the growth of the retailing sector. Probably, after a period of turmoil both the modern and the traditional sectors will learn to co-exist.

There is sufficient space in Indian market for many players as the Indian economy continues to grow at a healthy pace. In this issue of IndiaNews, we bring you a brief update on Indian economy, based on statistics and projections provided by the Reserve Bank of India. Indian economy is expected to grow at 7 per cent per annum in the next year. The country's foreign reserves are comfortable and the currency is stable. During April-September 2003, India's exports have grown at 10 per cent, while imports have grown at 21 per cent.

Growing economy signifies growth for the food and food ingredients sector. Hence, it comes as no surprise that alcohol consumption in India has increased by 190 per cent over the past thirteen years; poultry has been growing at more than 10 per cent per annum. Almost every sector of food, beverages and food ingredients has news on expansion or new units by some player or the other.

The feverish pitch of expansion and new units are, of course, accompanied by stray news of some foreign players finding it too hot and deciding to exit. For example, Dutch food company Numico has sold its dairy business; Kraft is looking for a buyer for its powdered beverages plant. We believe that all such failures are a result of poor understanding of the Indian market. What works in the West may or may not work in India.

Vice-versa of the above is as true. And many Indian food companies will need to remember that as they make grand global plans. Tata Tea's acquisition of Tetley has been touted as a success in Indian media. Now, many Indian companies are dreaming of global ventures. For example Venkateshwara Hatcheries is firming up plans for Dubai and West Asia; Bikanerwala is planning factories and outlets in Canada and Dubai.

Indian companies going global and international companies going to India – both indicate the growing integration of Indian food industry with the world. This offers enormous potential for food and ingredient companies, as long as live worms, pesticide residues and other such problems are tackled in a positive manner.