



IndiaNews

FOOD & FOOD INGREDIENT REVIEW October November 2004

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October-November is the time when statistics for the previous financial year (ending on 31 March) are released by various departments of the Government of India and by the Reserve Bank of India. This is also the time when monsoon has just withdrawn from the Indian sub-continent and the Indian Meteorological Department publishes a report about the extent of rains during the four months of monsoon (June-September).

Monsoon rains have not been too good this year. However, the situation was not as bad as was feared after the first two months as the rains increased towards the latter half of the season. Moreover, many parts of the country received good post-monsoon rains during October. Kharif crop, which is sown in June-July, suffered due to inadequate rains in some parts. But, with good post-monsoon precipitation, it is hoped that a bumper rabi crop (sown during October-November) will make up for the kharif shortfall.

During 2003-04, Indian economy grew at 8.2 per cent. Considering the poor monsoon, the economy will not be able to sustain the pace and is projected to grow by 6.2 per cent, which is lower than last year, but is high enough to make India one of the fastest growing economies in the world.

A key feature of Indian growth is that it is no longer dependent on agriculture. The services sector is growing at a faster rate than that of agriculture or manufacturing. This is leading to growth of urban areas and a middle class, with a large appetite for consumer goods including branded, value-added food products.

Global companies are queuing up to serve the large market that is taking shape. Costa Coffee from the UK is the latest to join the bandwagon. Starbucks seems to be waiting for the Government of India to change its present policy of not allowing foreign direct investment (FDI) in the retail sector. Wal-Mart has already set foot on Indian soil – not by setting up a retail outlet, but through sourcing and quality control. In fact, the government has explicitly set a condition against the Wal-Mart venture establishing a retail shop. In the midst of all this, Indian political circles are buzzing with debate about allowing or not allowing FDI in retail sector.

Metro Cash and Carry, which is strictly speaking not into retail, is not concerned about FDI since it has found a way to circumvent the problem. Metro's primary concern is the APMC Act, which prohibits it from buying agricultural produce directly from farmers. The Government of India has given some hints of its intention to amend the Act. On the other hand, the state of Madhya Pradesh, which has permitted ITC to set up an e-network to buy soyabean directly from farmers, is facing the agitation of traders, who fear loss of business. Debates, agitations and opposition by all those whose interests are likely to be affected are to be expected – these are normal for any democratic country and business houses have to learn to live with these, and India is no exception.

Another democratic institution that business houses have to learn live with is the judiciary. In recent years, the Indian judiciary has been playing a pro-active role entertaining a vast range of public interest litigations. Beverages manufacturers got a taste of judicial activism when Rajasthan High Court ordered them to display the contents of their carbonated beverages on the bottles. Manufacturers appealed that this would be a violation of their commercial confidentiality, but the court refused to budge.

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Courts and social activists may be necessary evils of democracy in the eyes of all those affected by them, but democracy's openness has its positive virtues too. A democratic society throws up its weaknesses for all to see. This affords the society an opportunity to reform and change. Two recent instances from India illustrate this. There were rumours that a consignment of tea shipped to Libya was sub-standard Vietnam tea. This caused an uproar. The association of tea manufacturers tested tea samples and certified that they were indeed poor quality. Newspapers wrote editorials appealing to the government to stop the shipment. At the time of going to press, the government was examining the matter.

Another instance of virtues of an open society relates to so-called Buffalo Meat Import Scandal unveiled by *Der Spiegel*. German and European authorities have seized 45 containers of Indian buffalo meat in a German port. The EU does not permit import of buffalo meat from India. The surprising thing is that, according to statistics published by the Government of India, Germany imported 6,291 tons of buffalo meat from India in 2003-04. *Der Spiegel's* report has no mention of official statistics released by the Government of India. It is possible that what is being touted as a big scandal will turn out to be a damp squib. Of course, at the moment, there is suspense and excitement. IndiaNews is proud to be the first to compile and publish statistics of India's meat exports to countries that have banned the import of Indian buffalo meat. These statistics may help to resolve the dispute.

As IndiaNews completes its second year of publication, we hope that we have been able to provide useful information and add value to your business by helping you understand India in its entirety. We often step beyond the domain of food and food additives to help you understand the complete picture. Please write to us at info@giract.com in case you have any suggestions or comments about the contents or style or presentation or any other matter. Your valuable inputs would help us serve you better.



DIWALI – the festival of lights was celebrated in India on 12 November.
DIWALI marks the end of rains and beginning of winter.
IndiaNews wishes all its readers a Happy Diwali.