



IndiaNews

FOOD & FOOD INGREDIENT REVIEW October November 2006

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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

<http://www.giract.com>



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“In the previous issue, we had talked about Indian stock markets on a bull run, with the Mumbai Stock Exchange Index rising from 7,000 to 8,500 in less than 75 days. The bull run has continued unabated with the Index touching 9,000 by the end of November. The Indian economy is surely booming.” (Extract from Editorial of IndiaNews Oct-Nov 2005)

Exactly one year back, we began our editorial with the above words. Though we predicted the boom in Indian economy and, therefore, in Indian stock markets, even we did not anticipate what has actually happened during the past one year. The Mumbai Stock Exchange index, which was at 8,500 last November, crossed 13,700 in the last week of November 2006. A phenomenal rise of more than 60 per cent in one year – that surely is proof of the great opportunity that the Indian economy offers.

In 2005-06, the Indian economy built upon its recent phase of high growth led by strong performance of the industry and services sectors. Growth in real GDP accelerated from 7.5 per cent in 2004-05 to 8.4 per cent in 2005-06. The Indian economy has thus recorded an average growth of over 8 per cent for the last three years. A noteworthy feature of this outcome is that it has been achieved in an environment of macroeconomic and financial stability. In other words, India is not a bubble economy. India's growth is built on strong fundamentals.

The robust growth scenario of Indian economy has continued into the financial year 2006-07. The Indian economy grew by 8.9 per cent in the first quarter of 2006-07 compared to 8.5 per cent in the corresponding period last fiscal, on the back of a strong growth in manufacturing and services sectors. Based on this, the growth in the current financial year is expected to be in the range of 8.1-8.5 per cent.

In 2006, the southwest monsoon seasonal (June to September) rainfall over the country as a whole was 99 per cent of its Long Period Average (LPA). This is likely to further boost economic growth, particularly in agriculture and related activities.

As the economy grows, the food industry is bound to grow. The rate of growth in the food and food additives industry may be higher than the rate of economic growth. A Frost & Sullivan (F&S) study has forecast that the food preservative industry would grow three-fold by 2012 at 20 per cent a year.

High growth is bringing about structural changes in the Indian economy. The rise of organized retail is a phenomenon that is drawing attention from media as well as business houses. Wal-Mart Stores Inc., the world's biggest retailer, is entering India's sprawling retail market through a tie up with Bharti Enterprises Ltd. This has created quite a stir, even in political circles. Communist parties are seeing red and are pressing the government to examine the deal with a microscope.

Wal Mart's journey through India will be watched with interest. Wal Mart will have to contend with the might of Reliance, which is already going full stream ahead opening stores across the country.

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Let us hope that Wal Mart as well as Reliance succeed and have a gala party. When they decide to have a party, they will have the best of liquor brands on hand. Budweiser, Carlsberg, Peroni, Angostura are some of the international brands that are on their way to make a mark in India. Joining the party is Vijay Mallya, the liquor baron who controls bigger liquor brands than anyone else in India. He would like to offer the best of Scotch whisky, matured in India. And if that is not your drink, why not give Mallya's Feni a try ? This is a local drink made in Goa from cashew fruit and coconut.

Along with the action in alcoholic beverages, ethanol for fuel is getting a lot of interest. The government of India plans to introduce mandatory blending of 10 per cent ethanol into gasoline across the entire country from June 2007. The use of 5 per cent ethanol mixed petrol, currently used in three states, is expected to be spread to the rest of the country by November 15. This is bound to excite sugar industry barons, who have been sounding extremely depressed over the past two months due to the low price of sugar.

Sugar barons and some other Indian majors have announced plans to buy sugarcane plantations and mills in Brazil. Acquiring companies abroad is nothing new for Indian business houses, but this is the first time that the Indian sugar industry is looking at acquisitions abroad.

Talking of acquisitions, it is worth mentioning about the acquisition of South African tea company, Joekels Tea Packers, by Tata Tea. The Tata Group has been active in Africa. They are putting up a plant in Uganda. With this new step, they have once again shown their commitment to Africa.

Africa does not get as much media attention in India as Europe and some countries of Asia. The recent visit of China's President Hu Jintao was the first by a Chinese head of state in a decade. He was accompanied by a business delegation counting nearly 120 members. The two Asian giants agreed to double trade to 40 billion dollars by 2010 and to work towards settling a long-festering border row. However, the visit could not be called spectacular by any standards.

On the other hand, it is really exciting to hear that the proposed economic cooperation agreement between India and the European Union (EU) will be sealed in the next two years. Switzerland, Norway, Iceland and Liechtenstein — which are not part of the European Union (EU) and hence outside the ambit of the proposed India-EU bilateral economic pact — have expressed interest in entering into a similar comprehensive trade and investment agreement with India. As things stand, India may be moving closer to Europe than to its immediate neighbour China.

We, at IndiaNews have done our small bit for the past four years in bringing India closer to you. As we close our 24th issue, we look forward to providing you with even more exciting news about the Indian food and food ingredient industries.

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