



IndiaNews

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December 2003 / January 2004

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Spirits consumption rising

Last thirteen years have witnessed a jump of 190 per cent in consumption of spirits in India to more than 85 million cases in 2003, of which imported spirits constitute a miniscule fraction of 550,000 cases only.

The total whisky consumption in India has increased 135 per cent to around 47 million cases – from 20 million cases in 1990 – of which the consumption of foreign whiskies is around half a million cases.

More than 1.3 million cases of Indian gin brands are being consumed in India compared to only 4,000 cases of imported gin. Similarly, while 16 million cases of rum are consumed every year, imported rum's consumption is around 10,000 cases per annum.

Indians consume more than 400,000 cases of Indian vodka every year, against only 28,000 cases of imported vodka brands.

Brandy has shown a significant consumption in India since 1990. From 5.5 million cases in 1990, the consumption of brandy has increased to 17.7 million cases. Imported brandy has a negligible consumption in India of only 7,000 cases. (ET 6 Oct)

Seagram enters vodka segment

Seagram India, the 100 per cent subsidiary of Pernod Ricard, has entered the vodka market with its new brand 'Fling,' which is positioned in the premium segment.

Seagram was primarily into whisky and subsequently introduced the Extra White gin.

Fling has been launched all over Mumbai and will soon be launched in other cities. (FE 17 Nov)

Search for alternative beer packaging

Brewing majors are pursuing alternative packaging solutions as glass bottle prices have climbed steadily in the last year.

The glass bottles and cans are the only mode of delivery for pasteurized beer in the country with the latter accounting for a fraction of the market. Indian glass bottle industry has been in the midst of a consolidation with the Kolkata-based Hindustan National Glass controlling over 60 per cent of the supplies. Other notable players include Excel, Associated Glass Industries and Larsen & Toubro.



Inducting a new bottle in the system could cost a brewer Rs.5 under prevailing conditions as against roughly Rs.4 two years ago. More alarming is the fact that recycled bottles cost between Rs.3.50 and Rs.4.50, a steady climb after nearly a decade of price stability when prices used to fall to Rs.2.75 to Rs.3.25 depending on seasonal variations. (HBL 9 Oct)

McDowell to partner New Zealand co. for RTD beverages

McDowell & Co. Ltd. has tied up with third-largest RTD manufacturer in the world, Independent Liquor of New Zealand, for bringing in new RTD brands such as Cruiser in the country. The foreign company will provide technical know-how and its expertise in manufacturing and bottling this brand at MsDowell's facilities. (ET 8 Nov)

Cadbury plans big overhaul, damage control

Amid the furore of the worms controversy, Cadbury India has unveiled 'Project Vishwas,' a three-step strategic programme involving its packaging, distribution chain and retail channels. For the first time in 30 years, the company is discontinuing the system of loose sales for Cadbury Dairy Milk range and changing its outer package.

As part of the exercise, the company is reducing its bulk packaging from 60 bars to 22 bars with immediate effect. Each bulk pack will be shrink-wrapped. As a precautionary measure Cadbury will replace questionable stocks immediately. (ET 16 Oct)

Cadbury India is planning a major overhaul of its business in India. The company is restructuring its confectionery portfolio, reviewing the fledging vending business and splitting its sales and distribution setup.

The company has already withdrawn Frutus and Gollum brands, and is de-emphasizing the Googly brand, which could soon be withdrawn as well. (BS 17 Oct)

Kerala clamps ban on Nestle, Cadbury batches

Kerala health department has imposed a ban on one batch each of chocolate products from confectionery majors Cadbury and Nestle.

Earlier search operations were conducted at random by food inspectors in the district and had stumbled on cases of worm infestations in chocolate bars. (HBL 21 Oct)

New wrap for Cadbury Dairy Milk

Pushed to the wall by the recent worms controversy, Cadbury India has decided to change the packaging of its Dairy Milk range of chocolates beginning January 2004.

The company is considering two options towards strengthening the packing of individual bars of its Dairy Milk range. One is to retain the aluminium foil, but change the outer wrap from band-wrap to bi-laminate polyester flow wrap with a cold seal. The other option is to change the foil to polyester-coated aluminium foil, which would be heat-sealed all around. This would then be band-wrapped as at present.

Amul uses the latter packaging technique for its chocolates. "Complete heat-sealing, no doubt, is a time-consuming and a costlier process," an Amul official said.

According to industry observers, Cadbury India could have been cutting costs in its packaging by just 'wrapping' its chocolates and not 'heat-sealing' them on all sides.

While Cadbury maintains that aluminium foil with a band wrap or envelope wrap is an internationally accepted norm for chocolates, industry observers feel that 'complete heat-sealing' is a desirable packing process for chocolates in Indian conditions. (FE 31 Oct)

Worms eat into Cadbury, Nestle October sales

Consumer sentiments in chocolates seem to have touched an all-time low after the 'worm-infestation' controversy, which rocked the industry in October.

ORG estimates show a 3-4 per cent decline in October '03 for the category. Industry officials said the decline could be sharper at 10 per cent in November. (ET 25 Nov)

Panel set up on sugarcane price

Government of India has constituted a high-level expert group to work out a new pricing policy for sugarcane prices.

Mills have long been demanding that cane price should be a function of the prices sugar fetch in the market. At present, it is based on recovery of sugar from cane and the input costs to farmers. (HBL 19 Nov)

Oilseed exports decline 41 per cent

Total export of oilseeds during the 2002-03 fiscal declined 41 per cent to 222,711 tons valued at Rs. 6.177 billion as against the previous year's figure of 380,151 tons valued at Rs. 8.755 billion.

Downfall in exports was due to lower production resulting from severe drought conditions and consequent higher prices.

Seasame seed export during the period was 108,793 tons (Rs.3.413 billion), down from 238,452 tons (Rs. 5.621 billion), registered in 2001-2002.

During the period, export of groundnuts was down to 65,566 tons (Rs. 1.738 billion) from 112,554 tons (Rs.2.504 billion).

On the other hand, niger seed exports were 35,552 tons (Rs. 765.2 million) in 2002-03, up from 22,220 tons (Rs. 478.5 million) in 2001-02.

In other oilseeds, export of safflower seeds, mustard seeds and sunflower kernels increased substantially over previous year. Exports of safflower seeds increased due to lower crop in Australia. (HBL 4 Oct)

India may export groundnut oil

For the first time in 20 years, India is in a position to export groundnut oil this year.

This is possible, thanks to a sharp rebound in output of oilseeds including groundnut and a significant increase in production of indigenous oil.

Forward quotes for raw groundnut oil are about Rs. 42,000 a ton. In the last four days, wholesale market rates rapidly dropped from Rs. 51,500 a ton to Rs. 46,500 a ton. (HBL 8 Oct)

Nearly 25,000 tons of groundnut oil has been contracted so far this crop year.

Already 4,500 tons of oil has been shipped to China and 12,000 tons to destinations in Europe. Further sales would be limited because oil from traditional exporters such as Argentina and Senegal had come into the world market softening prices, industry officials said. (HBL 28 Nov)

Oilmeal exports

Oilmeals exports are likely to stage a recovery from the third quarter of the current financial year on rising demand for compound feed as the global economy bounces back.

Though oilmeal exports might not touch the high of 4.137 million tons witnessed during 1997-98, it could reach 3.5 million tons.

The domestic demand for oilmeals is rising at the rate of 8 to 10 per cent annually. After meeting domestic demand, there will be enough surplus to export this year. (HBL 10 Oct)

Exports turn cold

Low prices and high competition in other producing countries have made the Indian chilli, fenugreek etc. non-competitive in the world market during April-September 2003, pushing the country's spices exports down both in volume and value.

Major fall was in chilli, which declined to 28,250 tons valued at Rs 1.255 billion from 43,750 tons worth Rs 1.533 billion in the same period last fiscal.

Similarly, there was a major drop in fenugreek, which dropped from 7,000 tons to 3,450 tons while cumin fell to 3,700 tons from 5,950 tons. (HBL 27 Oct)



Please see table in next column.

New crop arrival, falling demand hit pepper prices

The arrival of new crop coupled with the bearish trend in the market has seen pepper prices take a southern sojourn to very abysmal levels at Rs 65 a kg. Both the spot and futures markets have crashed.

The situation was not expected to improve, as the market with its carry-forward stock of 25,000 tons would see another 40-45,000 tons of the new crop arrive in the market soon. (FE 17 Nov)

Estimated export of spices from India During April-October 2003

Item	Quantity (Tons)	Value (US \$ MIL)
Pepper	10,300	19.44
Cardamom (small)	200	2.18
Cardamom (large)	395	1.18
Chilli	34,000	32.87
Ginger	2,900	2.81
Turmeric	18,000	14.38
Coriander	9,000	7.10
Cumin	4,200	6.67
Celery	2,400	1.58
Fennel	2,275	2.16
Fenugreek	3,950	2.01
Other seeds (1)	4,950	2.60
Garlic	2,075	1.91
Nutmeg & Mace	1,025	4.09
Vanila	12.2	2.56
Other spices (2)	15,850	11.67
Curry powder	4,000	6.72
Mint Products(3)	4,770	40.26
Spice oleoresin and other oils	2,500	43.94
Total	122,802	206.13

1. Include Aniseed, Bishops Weed(Ajwanseed), Dill Seed, Poppy Seed, Mustard etc.
2. Include Tamarind, Asafoetida, Nutmeg, Mace, Vanilla, Cassia, Saffron Etc.
3. Include Mint Oil and Menthol Crystals.

Source: Estimate Based on Dgci&S Data, Shipping Bills from Customs, Last Year's Export Trend, Consultations With Major Exporters etc.

Estimated by Spices Board of India



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India is an enigma to most outsiders and probably to even many Indians. Last year when drought in India was the big news, India was exporting foodgrains and Indian cities had an abundance of milk. This year rains have been normal, but surprisingly foodgrain exports are grinding to a standstill and there is shortage of milk in all cities of India. This is typically what makes many foreigners throw up their hands in exasperation.

India is a vast country where a large number of forces and factors apply simultaneously. Hence, there is always a diversion of views regarding the reasons for any development. Nothing illustrates this better than the divergent views of key players regarding the milk shortage gripping vast parts of India. We have made an effort to sum up the diversity of opinions in the section on Dairy, Meat and Poultry.

Notwithstanding the diverse views of analysts, it cannot be denied that Indian dairy industry is facing serious problems. For a bit too long, V. Kurien (father of Indian dairy movement and currently Chairman of Gujarat Co-operative Milk Marketing Federation) and his juniors have indulged in self-appreciative mutual back patting. India is the largest producer of milk, but its milk farmers have been facing difficult times and their economy is virtually collapsing.

If milk is doing badly, tea and coffee are faring no better. Both tea and coffee are facing problems of overproduction and falling exports.

Moving from hot beverages to cold beverages, cola majors faced their Waterloo just as rains started. Controversy about pesticide residues in colas rocked the country. Sales of all brands of Pepsi and Coke fell. At the time of writing this editorial, news has come indicating that sales are bouncing back.

Pepsi and Coke, generally viewed as cut-throat competitors, joined hands to face the onslaught from activists. Their chief executive officers addressed press conferences jointly and worked on a common strategy. Such co-operation is relatively uncommon in Indian food and beverage industry. One hopes that in years to come one will see more competitors joining hands on matters of mutual interest.

That should not, however, distract us from the issue of pesticide residue in foods. As India integrates with the rest of the world, she will have to upgrade the food standards to world levels, not only with regard to pesticide residues, but also in all other respects. Adulteration of food products in India is not taken too seriously. The enforcement machinery is corrupt and inefficient. It is not unusual for companies to bribe food inspectors as well as food testing laboratories on a regular basis.

As long as India was insulated from the rest of the world, this sorry state of affairs did not matter. However, as India increases its exports, enforcement of standards in India is a matter of worldwide concern. The issue of Sudan 1 in powdered chilli powder has affected British food exports. Germany is asking consumers to stay away from chilli sauce manufactured in Italy and chilli powder packed in Netherlands – both are suspected to have used chilli powder imported from India.

Surprisingly, while the world is issuing red alerts regarding Indian chilli powder, Government of India has made no efforts to investigate chilli powder sold in the domestic market. This is in sharp contrast to the sharp reactions expressed in Parliament by political leaders when cola-pesticide controversy broke out.

Again as usual, there can be different views about the reasons for this. Some may ascribe the activism in the matter of colas to the ongoing movement in India against multinational corporations. Giract, on the other hand, believes that India is going through a transformation from a closed socialist-style economy to a vibrant free economy. The regulatory systems have to evolve and keep up with the needs of the global economy. Evolution is never a smooth process. Even in India, this evolution is taking place in fits and starts. Companies venturing into India have to understand this and not throw up their hands in exasperation.

Understanding the complexity of India needs patience and perseverance. India is not for those looking for short-term gains. IndiaNews understands this and aims to be at your side helping you solve the enigma called India.



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