



AGRI EXPORT ADVANTAGE



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Foreign Trade Policy: 2009-2014

India's Foreign Trade Policy (FTP) for the period 2009-2014 was announced on August 27, 2009. The short-term objective of the policy is to arrest and reverse the declining trend in exports, and to provide additional support especially to those sectors, which have been hit badly by recession in the developed world. The policy has been set with an objective of achieving an annual export growth of 15% with an annual export target of US\$ 200 billion by March 2011; and thereafter upto 2014, it is envisaged to have high export growth path of around 25% per annum. The long-term policy objective for the Government is to double India's share in global trade by 2020.

In the current FTP the government has decided to provide a special thrust to the employment intensive sectors. Agriculture continues to be the special focus sector in the present FTP. To provide a stable policy environment conducive for foreign trade, the government has decided to continue with the DEPB Scheme upto December 2010, and income tax benefits under Section 10(B) for 100% export oriented units for one additional year, till 31st March 2011. Enhanced insurance coverage and exposure for exports through ECGC Schemes has been ensured till 31st March 2010. The government has also decided to continue with the interest subvention scheme. To encourage value addition in manufactured exports, it has stipulated a minimum 15% value addition on imported inputs under advance authorization scheme.

Through the FTP, the government endeavours to diversify products and markets through rationalization of incentive schemes including the enhancement of incentive rates which have been based on the perceived long term competitive advantage of India in a particular product group and market. New emerging markets such as those of Africa, Latin America, Oceania and CIS countries have been given a special focus to enable

competitive exports. Accordingly, 26 new markets have been added-16 in Latin America and 10 in Asia Pacific. Additional resources have been made available under the Market Development Assistance Scheme and Market Access Initiative Scheme. Incentive schemes are being rationalized to identify leading products, which would catalyze the next phase of export growth.

The Government seeks to promote Brand India through six or more 'Made in India' shows to be organized across the world every year. Technological upgradation of exports is sought to be achieved by promoting imports of capital goods for certain sectors under EPCG at zero percent duty. Under the present Foreign Trade Policy, Government recognizes the achievements of exporters based on their export performance and designate them as 'status holders'. For technological upgradation of the export sector, status holders will be permitted to import capital goods, duty free (through Duty Credit Scrips equivalent to 1% of their FOB value of exports in the previous year), of specified product groups. This will help them to upgrade their technology and reduce cost of production.

Some of the policy measures having implications on Agriculture and Food exports are:

- The incentive available under Focus Market Scheme (FMS) has been raised from 2.5% to 3%.
- The incentive available under Focus Product Scheme (FPS) has been raised from 1.25% to 2%.
- To reduce transaction and handling costs, a single window system to facilitate export of perishable agricultural produce has been introduced. The system will involve creation of multi-functional nodal agencies to be accredited by APEDA.



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Under Vishesh Krishi and Gram Udyog Yojana (VKGUY)

- Capital goods imported under EPCG will be permitted to be installed anywhere in AEZ.
- Import of restricted items, such as panels, are allowed under various export promotion schemes.
- Imports of inputs such as pesticides are permitted under Advance Authorisation for agro exports.
- New towns of export excellence in agriculture and fisheries sector with a threshold limit of Rs 150 crore (as compared to the threshold limit of Rs. 750 crores for other sector) shall be notified. (Malihabad in Uttar Pradesh has already been recognized as town of export excellence for horticultural products).
- Certain specified flowers, fruits and vegetables are entitled to special duty credit scrip, in addition to the normal benefit under VKGUY.

Marine Sector

- Imports for technological upgradation under EPCG in fisheries sector (except fishing trawlers, ships, boats and other similar

items) exempted from maintaining average export obligation.

- Duty free import of specified specialised inputs / chemicals and flavouring oils is allowed to the extent of 1% of FOB value of preceding financial year's export.
- Import of monofilament longline system for tuna fishing at a concessional rate of duty, and Bait Fish for tuna fishing at nil duty, are permitted.
- A self removal procedure for clearance of seafood waste is applicable subject to prescribed wastage norms.
- Marine products are considered for VKGUY scheme.

Tea

- Minimum value addition under advance authorization scheme for export of tea has been reduced from the existing 100% to 50%.
- DTA sale limit of instant tea by EOU units has been increased from the existing 30% to 50%.
- Export of tea has been covered under VKGUY Scheme benefits.

Reference :
DGFT, Govt. of India

Global Sugar Market Summary and Outlook

World sugar prices have risen steadily since November 2008, reaching a three-year high in May 2009. This strengthening of price was attributed much to the forecast of much reduced crop in India, world's second largest sugar producer (2007-08) and the largest consumer. India became a net importer of sugar in 2008-09 from a net exporter of sugar in 2007-08.

Production

According to FAO's forecast, world sugar production is estimated to decline by around 5% in 2008-09 due to a 45% decline in sugar output in India. The decrease in sugar production in India is largely due to decline in cropped area under sugar as producers have diversified their land to alternative, more remunerative crops such as maize and soybean. In addition to India, sugar production also contracted in key producing countries such as Australia, the European Union (EU), Pakistan and the United States. However, sugar production in Brazil was projected to rise to 39.6 million tonnes in 2008-09 (sugar year), about 29 % more than in 2007-08, despite unfavourable climatic conditions. It is estimated that about 60 % of Brazil's sugarcane harvest in the year 2008-09 is estimated to be processed into cane-based ethanol, buoyed by higher returns from domestic ethanol relative to export markets. Aggregate sugar production in Africa is forecast to rise by 8.3 % to 11 million tonnes in 2008-09, outpacing the 3 % annual growth

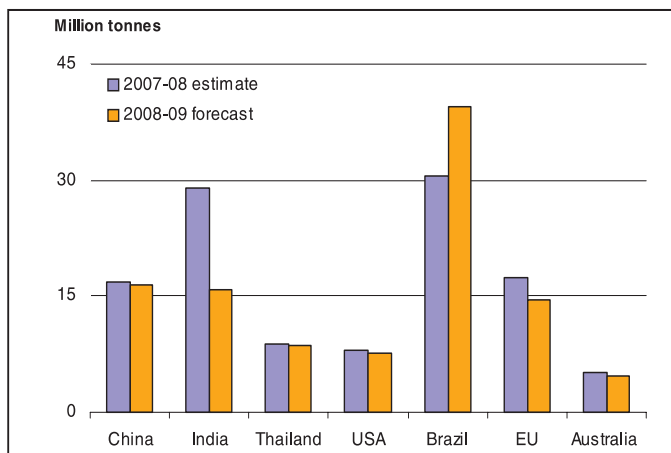
experienced for the past three years. The expansion is largely attributed to increases in cropped area under sugarcane and new processing capacity, which is mostly in anticipation of greater exports to the EU sugar markets under the Everything-But Arms initiative (EBA), which allows least developed countries in Africa, duty and quota-free access to the EU until October 2009.

World production and consumption of sugar

	2006-07	2007-08 estim	2008-09 f'cast	Change: 2008-09 over 2007-08 %
	million tonnes			
WORLD BALANCE				
Production	166.1	167.6	158.5	-5.4
Trade	46.7	47.3	50.2	6.0
Utilization	154.0	158.4	162.2	2.4
Ending stocks	73.3	80.9	76.3	-5.7
SUPPLY AND DEMAND INDICATIONS				
Per caput food consumption				
World (kg/year)	22.5	23.1	23.4	1.3
LIFDC* (kg/year)	12.9	13.4	13.7	1.8
World stock-to-use ratio (%)	47.6	51.1	47.0	
ISA Daily Price Average (US cents/lb)				Change: Jan-May 2009 over Jan-May 2008 (%)
	10.08	12.80	13.78	8.8

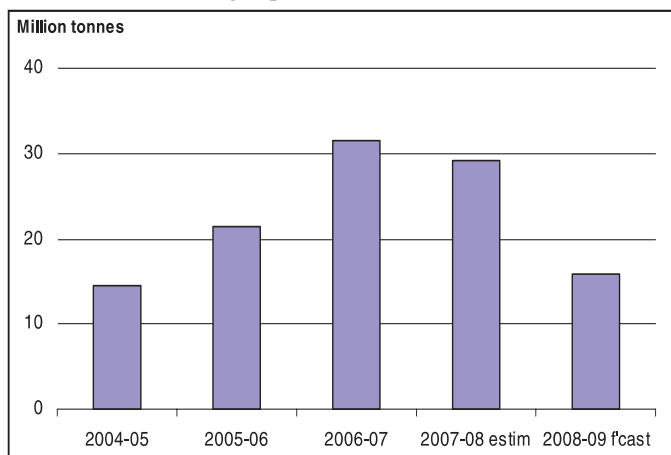
* Low-Income-Food-Deficit Country
Source: FAO 2009

Sugar production by major producing countries



Source: FAO, 2009

Sugar production in India



Source: FAO, 2009

Consumption

World sugar consumption in 2008-09 is forecast to rise to 162 million tonnes, 2.4 % more than in 2007-08. On average, per caput sugar availability is estimated to increase from 23.1 kg in 2007-08 to 23.4 kg in 2008-09. Rising domestic sugar prices and poorer economic prospects explains the anticipated slowdown in world sugar consumption growth. Further, it is projected that the economic downturn may depress industrial sugar usage by the manufacturing and food preparations sectors, including the beverages industries, which is especially sensitive to variations in income. Sugar consumption is therefore, likely to decline faster

in countries with large shares of industrial consumption in total sugar utilization. Sugar consumption in India, the largest consuming country, may reach 25.3 million tonnes, up from 24.6 million in 2007-08.

Trade

World sugar trade is forecast to reach 50.2 million tonnes in 2008-09 (October/September), 6 % more than the 2007-08 estimate, driven by a strong import demand by countries likely to face a production shortfall, in particular the EU, India and Pakistan. The size of sugar imports by India is likely to be the determining factor for the final size of world trade in sugar over the current marketing year. Based on current information, FAO expects India's imports to hover around 3 million tonnes, after nil imports in 2007-08, following the recent decision by the Government of India to allow duty-free imports of white sugar. The second most important feature of the trade outlook of sugar is the EU turning into a net-sugar importer, as production declines in line with the reform of the domestic sugar industry. Official imports by the EU are now set at 4.9 million tonnes, 53.6 % or 1.7 million tonnes more than last season, much of which will be sourced from countries having preferential access to the EU, given prohibitively high MFN tariffs.

Imports by the Russian Federation, the largest sugar importer in 2007-08, are anticipated to decline by 14 % to 2.8 million tonnes, on account of an expansion in output and exceptionally high import tariffs (US\$ 220 per tonne).

Stocks

The shortages in production in 2008-09, mainly in India, have induced a tighter supply-demand situation in the world market. Nonetheless, relatively comfortable stock availability in Thailand and good crops in Brazil and Guatemala is likely to sustain a 6.2% expansion in world export. Brazil, the world's largest exporter, could benefit most from rising international sugar quotations. It is projected that the country may boost its shipments by 28 % to 24.1 million tonnes, following a contraction in 2007-08, especially since falling freight costs may enable the country to regain market share, particularly in Asia.

Overall exports from Asia are expected to fall by 8 % to 10.7 million tonnes in 2008-09, mainly reflecting smaller shipments in India and Pakistan. Driven by high international sugar prices, shipments from Thailand are set to increase by 41 % to 5 million tonnes, mostly routed to neighbouring importing countries.

Reference:

Food Outlook – FAO, June 2009

Honey market in the EU

The EU accounts for approximately 20-25% of global consumption of honey. During 2007, honey consumption in the EU amounted to 310 thousand tonnes. Between 2003 and 2007, due to fluctuations in price developments in the global honey market, total consumption of honey in the EU had also been uneven. Consumption of honey in the EU increased between 2003 and 2005, and then decreased again until 2007. The net decrease in honey consumption in the EU during this period has been 0.7 %. The fluctuation in global prices of honey was mainly due to shortage of supplies.

With 30 % share, Germany is the leading EU market for honey. The other major consumers of honey in the EU are the United Kingdom, France and Spain. Per capita consumption differs greatly among EU countries. In 2007, per capita consumption in Greece was 1.6 kg, while in Italy it was only 0.3 kg. In the recent years, consumption and markets for honey have been growing in the eastern European countries. During 2003-2007, Countries with significant markets and high relative growth have been Czech Republic (10% annually), Slovakia (17% annually) and Bulgaria (19% annually). On the other hand, Spain, Austria, Portugal and Hungary showed substantial decreases in the consumption of honey.

Production

The EU is also a major producer of honey accounting for approximately 13 % of global honey production. In 2007, EU production of honey amounted to 189 thousand tonnes. The EU produces mainly polyfloral honey. The main monofloral honey produced in the EU is Acacia honey. The main producers of Acacia honey in Europe are Hungary, Bulgaria and Romania, although it is also produced in other EU countries. Other types are linden blossom, heather, lavender, rosemary, thyme, orange blossom, sunflower and forest honey. Production has been growing in the eastern European countries, which increased the self-sufficiency rate of the EU honey market in 2007 by 10 % to 60 %.

Trade

Total honey imports by the EU have been fluctuating during the period 2003-2007. The net decline in imports of honey was around 22 % by value during the period. The EU imports most of the honey from extra EU countries. Argentina has been the leading supplier of honey to the EU. However, the value of supplies from Argentina decreased significantly in recent years due to reports of honey laundering. Between 2003 and 2007, supply values decreased by 11% annually.

China is also another major supplier of honey to the global markets. However, it has a small share in the EU imports of honey as a result of regular bans imposed on it due to presence of prohibited substances. During the period 2003-2007, Mexico, Uruguay and Chile significantly increased their export volumes to the EU (by 14%, 36% and 18% per annum, respectively)

Among the EU member countries, Germany, Hungary and Spain are leading suppliers of honey. Hungary and Spain are major producers and net exporters, while Germany is a major net importer and a leading exporter. The exports by Germany consist of both honey produced in Germany and imported honey.

Imports and leading suppliers of honey in the EU: 2003-2007

	2003 Euro million	2005 Euro million	2007 Euro million	Leading suppliers to EU in 2007 Share by value (%)	Share by value (%)
Intra-EU	221	167	201	Germany (15), Hungary (10), Spain (7), France (4), Romania (3)	53
Extra-EU ex. DC*	17	16	20	New Zealand (4), Australia (1)	5
DC*	246	160	155	Argentina (18), Mexico (8), Uruguay (4), China (3), Chile (2), India (2), Cuba (1), Ukraine (1)	5
Total	484	343	375		

Source: Eurostat 2009

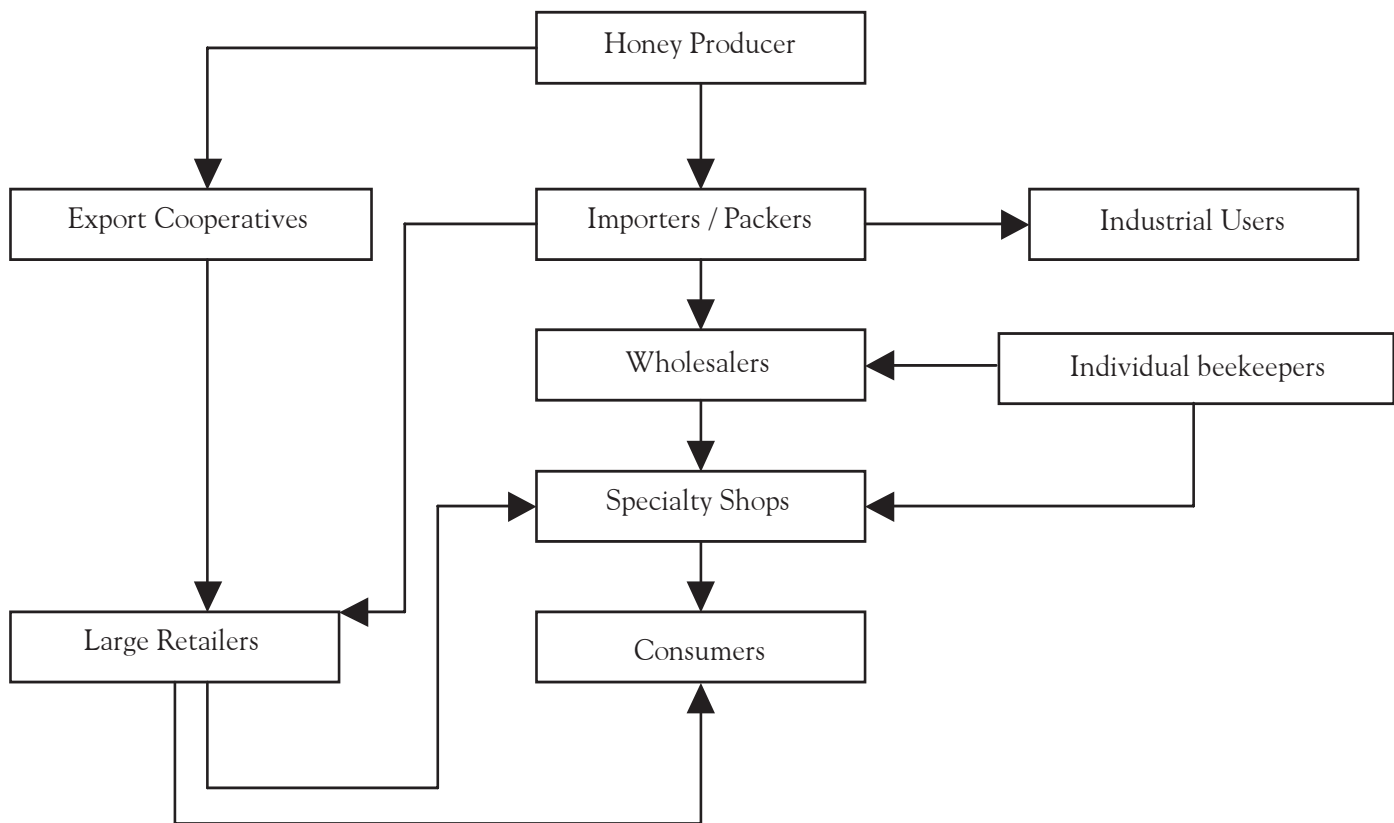
*DC – Developing country

In 2007, EU exports of honey amounted to Euro 257 million tonnes. Between 2003 and 2005, exports decreased by 19% and then increased again by 20% between 2005 and 2007 in value. Re-exports accounted for most of the increase. Intra-EU trade account for major share in EU honey exports.

Market Segmentation

The honey market in the EU is principally segmented into honey for household consumption and honey for industrial use. An estimated 85% of all honey in the EU goes for direct consumption as table honey. Table honey is used mainly as spread on bread, and some are used as a natural sweetener for drinks such as tea or milk. It is also used in food preparations such as salads, vegetable and meat glazes, and casserole dishes.

The other major market segment for honey in the EU is the food industry. This industrial use of honey is mainly in the bakery, confectionery and cereal manufacturing. The honey, which is used by the food industry, is often of a lower quality than the honey used by households. Other industries using honey include the tobacco and pharmaceutical industry, although these account for only a small part of the total demand for honey in the EU.



Varieties of honey

In general, EU consumers have a preference for light coloured, clear liquid honey with a mild taste. Honey packers in the EU blend honey from mixed sources to create honeys with such properties and on an acceptable price. The honey used in the blends is polyfloral honey. The market for monofloral honeys is small (estimated at less than 10%).

The total market for organic honey in Europe is estimated to be around 6.5 thousand tons per year (2% of the total honey market). Germany accounts for 2.5 thousand tonnes of the EU consumption of organic honey. Organic honey is mainly used as table honey.

The Fair Trade segment consists of consumers who are socially conscious and are willing to pay a higher price for products that are labeled Fair Trade. The EU market for Fair Trade honey amounted to 1.1 thousand tonnes in 2006. The largest market is Germany, with sales amounting to 438 tonnes in 2006. The UK is the second largest consumer of Fair Trade honey in the EU showing large growth with sales increasing from 101 tonnes in 2003 to 322 tonnes in 2006. Other emerging Fair Trade honey markets are France and Denmark.

Trade Channels and Price Structure

Bulk imports of honey is first packed by packers or processed by industrial users before reaching the consumers. Pre-packed honey is imported only from neighboring EU countries.

Retail prices of honey are generally 2.5 to 3 times higher than producer prices. The commission for importing honey is estimated at 5% and the margin for blending, filtering and packing the honey is estimated at 10%. Wholesalers add another 5-10% to distribute it to retailers. Margins for retailers vary.

Opportunities

EU is the leading honey market in the world. Consumption volumes are stable and the value has been increasing in the recent years. The increasing demand for organic honey offers good opportunities for developing country producers of honey. Another interesting niche market is the steadily growing Fair Trade honey market. Monofloral honeys, such as acacia, are becoming more popular in the EU and the demand is increasing especially in the leading EU markets. However, exporters of honey from developing countries need to be more careful about presence of contaminants in the honey, which often is a threat to the reputation of honey from the developing countries.

Reference:

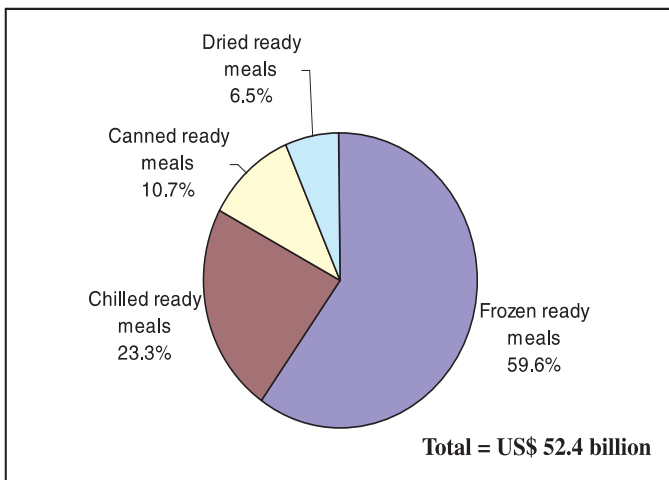
CBI, The Netherlands

Ready-to-Eat Food: Global Market and Prospects for India

The global sales of ready-to-eat (RTE) meal comprising chilled, dried and frozen ready meals were estimated at around US\$ 52.4 billion in 2007, representing a compounded annual growth rate (CAGR) of 3.4% for the period 2003-2007. European markets registered the highest growth in sales (of CAGR 4.9%) followed by Asia-Pacific (4%) and USA (0.9%), to reach respective values of US\$ 20.2 billion, US\$ 15.8 billion and US\$ 13.7 billion, during the period. During the same period, volumes of RTE meals traded in the international markets grew at a CAGR of 2.5% to reach a total of 10,408.6 million kgs in 2007.

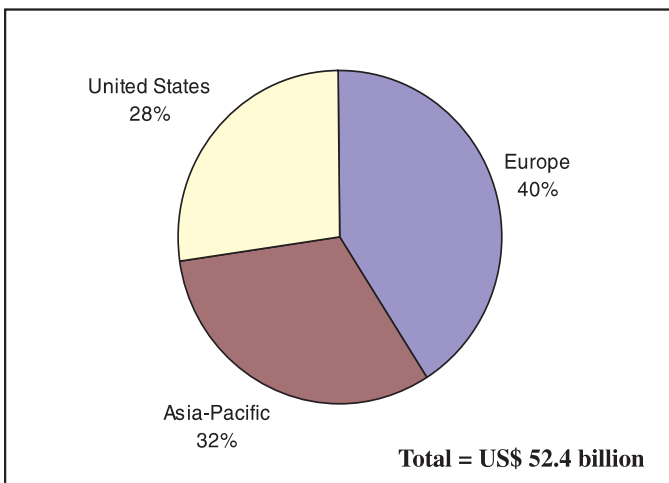
Among the product segments, frozen ready meals registered the highest growth in sales in 2007, which amounted to US\$ 31.2 billion 59.6% of the market's overall value.

Share of Global Ready Meals: Market Segmentation by Product in 2007



Source: Datamonitor 2008

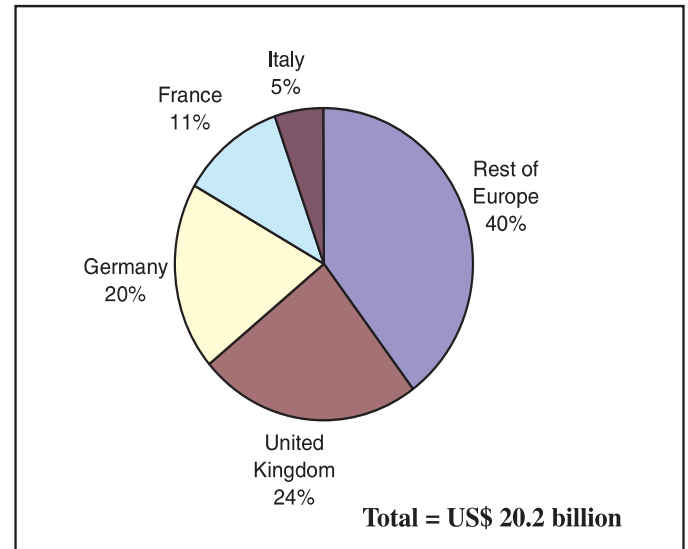
Share of Global Ready Meals: Market Segmentation By Region in 2007



Source: Datamonitor 2008

Europe is the largest market for RTE meals. Among the European markets, the United Kingdom is the largest ready meals market in Europe, accounting for 24.2% of the regional market's value.

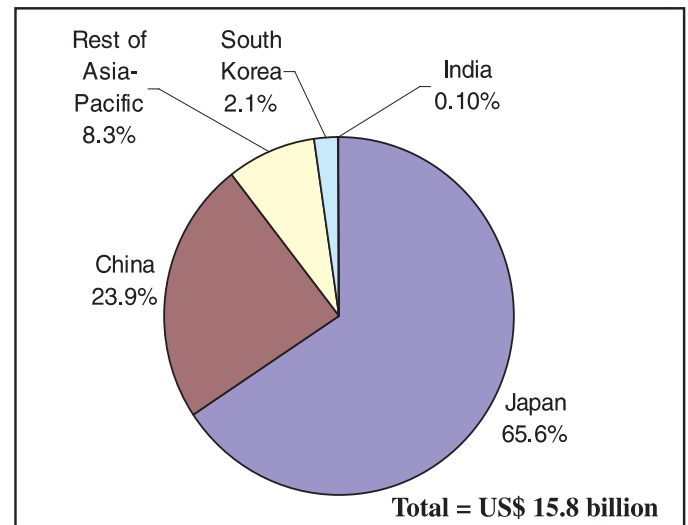
Europe Ready Meals Market Segmentation by Region: 2007



Source: Datamonitor 2008

Japan is the largest ready meals market in Asia-Pacific, accounting for 65.6% of the regional market's value followed by China (23.9%).

Asia-Pacific Ready Meals Market Segmentation by Region – 2007



Source: Datamonitor 2008

Ready-to-eat meals in India

The RTE market segment, though is a small segment in the estimated Rs.1,00,000 crore food industry in the country, is a fast growing segment of the food industry. Ready to eat packaged food industry in India is over Rs. 4000 crore or US \$ 1 billion and is growing at the rate of 20 % per annum. However, the RTE meals market is around Rs. 7 crore and growing at 35% per annum. According to a survey by Euromonitor International, amount of money spent by Indian population in India on ready to eat snacks and food is around US\$ 5 billion in a year, while amount spent by Indian or Indian subcontinents abroad is over US\$ 30 billion in a year.

The main driving factors for the growth of Indian RTE segment are:

- Presence of large population of Indian Diaspora abroad;
- Globalization of Indian food and its culture resulting in fast growing foreign markets;
- Cost effectiveness of RTE food in comparison to the Indian cuisine served by the restaurants in the foreign countries;
- Increasing population of working women;
- More working bachelors staying away from homes;
- Growing retail outlet culture in India;
- Increasing consumer preferences towards convenience food;
- Longer shelf-lives of RTE (12-18 months from date of manufacture);

There are two types of RTE meals available in the Indian RTE industry:

- Dinner table items – include vegetarian and non-vegetarian preparations such as *Punjabi chhole*, *mutter paneer*, *aloo ka paratha*, *chicken briyani*, *mutton masala* to name a few.
- Deserts – include a wide variety of Indian sweet dishes such as milk *kheer*, *gajar* and *suji ka halwa* etc.

With the growing market opportunities, a number of large corporates are competing in the market; however, the need and demand for RTE preparations is fast increasing and also opening up opportunities for players in the SME sector. As a fillip to the industry, the Government of India has already put food processing industry on a fast track through incentives in the form of capital subsidy of 25% of the investment in plant and machinery, as well as on production related infrastructure. Further, there is no excise duty on RTE and a 100% tax deduction for the first 10 years for new units.

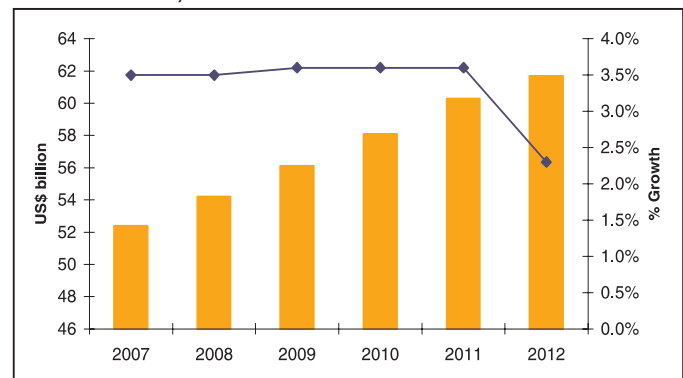
Select Players in the RTE Sector

Company	Brands
Haldirams	Haldirams
ITC	Aashirvaad, Kitchens of India
MTR	MTR
Satnam Overseas Ltd.	Kohinoor
Tasty Bites	Tasty Bites
Gits	Gits

Outlook

The global performance of the RTE market is forecast to decelerate, with an anticipated CAGR of 3.3% for the five-year period 2007-2012, which is expected to drive the market to a value of US\$ 61.7 billion by the end of 2012. The European RTE market is anticipated to grow at a CAGR of 4.3% during this period to reach a value of US\$ 24.9 billion by the end of 2012. The UK RTE market is slated to register a high growth at a CAGR of 3.8% over the period to reach US\$ 5.9 billion by the end of 2012.

Global Ready Meals Market Value Forecast: 2007-2012



Source: Datamonitor 2008

With the modernization of the Indian food processing industry the Indian RTE meals segment is projected to grow to Rs. 25 crore by the end of 2009, and Rs. 300 crore in the next three years, registering a growth of over 75% per annum.

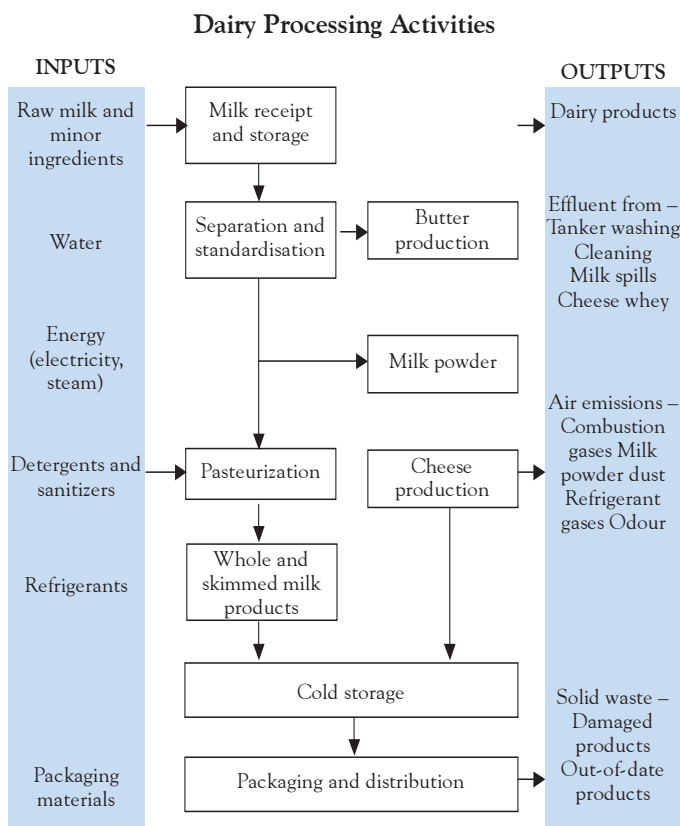
Reference:

- Datamonitor
- ITC
- Industry Sources

Environmental, Health, and Safety Guidelines for Dairy Processing

The Environmental, Health, and Safety (EHS) Guidelines are technical reference documents designed by the International Finance Corporation (IFC), with general and industry specific practices under Good International Industry Practice (GIIP). The industry sector EHS guidelines are designed to be used together with the **General EHS Guidelines** document, which is followed across the industries.

The EHS Guidelines for Dairy Processing facilities applies to the reception, storage, and industrial processing of raw milk and the handling and storage of processed milk and dairy products.



Environmental issues specifically associated with dairy processing facilities include the following:

Wastewater

Industrial Process Wastewater - Due to the presence of milk solids (e.g. protein, fat, carbohydrates, and lactose), untreated wastewater from dairy processing facilities may have a significant organic content, biochemical oxygen demand (BOD), and chemical oxygen demand (COD). Whey may also contribute to high organic loads in wastewater. Salting activities during cheese production may result in high salinity levels in wastewater. Wastewater may also contain acids, alkali, and detergents with a number of active ingredients, disinfectants, and significant pathogenic microbiological load.

The following recommended techniques could be used to prevent the contamination of the wastewater stream:

- Avoid milk, product, and by-product losses (e.g. from spills,

leaks, excessive changeovers, and shut downs) through the adoption of good manufacturing procedures;

- Separate and collect product waste, including rinse waters and by-products, for recycling or further processing (e.g. whey and casein);
- Install grids to reduce or avoid the introduction of solid materials into the wastewater drainage system;
- Process and foul drains should be separate in process areas and should discharge directly to a treatment plant and / or municipal sewerage system;
- Pipes and tanks should be self-draining, with appropriate procedures for product discharge prior to, or integral with, cleaning procedures;
- Subject to sanitary requirements, recycle process water, including condensate from evaporation processes, for preheating and heat-recovery systems for heating and cooling processes, to minimize water and energy consumption;
- Adopt best-practice methods for facility cleaning, which may involve manual or automated Clean In Place (CIP) systems, using approved chemicals and / or detergents with minimal environmental impact.

Process Wastewater treatment - Techniques for treating industrial process wastewater in this sector include grease traps, skimmers or oil water separators for separation of floatable solids; flow and load equalization; sedimentation for suspended solids reduction using clarifiers; biological treatment - anaerobic followed by aerobic treatment, for reduction of soluble organic matter (BOD); biological nutrient removal for reduction in nitrogen and phosphorus; chlorination of effluent when disinfection is required; dewatering and disposal of residuals (composting and land application of acceptable quality). Usage of additional engineering controls to contain and neutralize nuisance odors, and source segregation and alternate treatment methods for high salinity streams that contribute to elevated TDS levels in the wastewater.

Other Wastewater Streams & Water Consumption - Dairy processing facilities use considerable quantities of potable water for processing and for cleaning of equipment, process areas, and vehicles. The management of non-contaminated wastewater from utility operations, non-contaminated stormwater, and sanitary sewage, along with recommendations to reduce water consumption would be guided by the General EHS Guidelines.

Solid waste

Solid organic waste in dairy processing facilities mainly originates from production processes and includes nonconforming products and product losses (e.g. milk spillages, liquid whey and buttermilk), grid and filter residues, sludge from centrifugal separators and wastewater treatment, and packaging waste arising from incoming raw materials and production line damage. Recommended measures to reduce and manage solid waste include:

- Subject to sanitary requirements, segregation of solid process waste and non-conforming products for reprocessing into commercial products and byproducts (e.g. butter oil, processed cheese, animal feed, soap stock);
- Optimize product filling and packaging equipment to avoid product- and packaging- material waste;

- Optimize the design of packaging material to reduce the volume of waste (e.g. by using recycled materials and by reducing the thickness without compromising food safety criteria);
- Use uncontaminated sludge from on-site wastewater treatment for agricultural fertilizer or production of biogas.

Emissions to air

Air emissions in dairy processing include exhaust gases (carbon dioxide [CO₂], nitrogen oxides [NO_X] and carbon monoxide [CO]) resulting from the combustion of fuel in turbines, boilers, compressors and other engines for power and heat generation; dust, including fine milk powder residues in the exhaust air from the spray drying systems and bagging of product; and odour emitting from on-site wastewater treatment facilities, and filling / emptying milk tankers and storage silos. Management of these issues are in general guided by the General EHS Guidelines. However, industry specific recommendations include:

- o For dust control and prevention, installation of exhaust ventilation equipped with dry powder retention systems (e.g. cyclones or bag filters).
- o For prevention of odor emissions: proper designing and maintenance of wastewater treatment facilities; frequent emptying and cleaning of fat trap area and storage area; minimizing storage of stock of waste and by-products; storage for short periods in cold, closed and well-ventilated rooms; and undertaking odour causing production activities under vacuum.

Energy consumption

Dairy processing facilities consume considerable amount of energy. Approximately, 80% of the energy requirements are for thermal uses to generate hot water and produce steam for process applications (e.g. pasteurization, evaporation, and milk drying), and cleaning, and remaining 20% is used as electricity to drive processing machineries, and refrigeration. Industry-specific measures recommended are:

1. Reduce heat loss by:
 - Using continuous, instead of batch, pasteurizers;
 - Partially homogenizing milk to reduce the size of heat exchangers;
 - Using multistaged evaporators;
 - Insulating steam, water, and air pipes / tubes;
 - Eliminating steam leakage and using thermostatically controlled steam and water blending valves;
2. Improve cooling efficiency by insulating refrigerated room / areas;
3. Employ heat recovery for both heating and cooling operations in milk pasteurizers and heat exchangers (e.g. regenerative countercurrent flow);
4. Investigate the means to recover waste heat, including:
 - Recovering waste heat from refrigeration plant, exhaust, and compressors (e.g. to preheat hot water);
 - Recovering evaporative energy;
 - Employing heat recovery from air compressors and boilers (e.g. waste gas exchanger).

Occupational Health and Safety

Occupational health and safety hazards for dairy processing facilities are similar to those of other industrial facilities, and recommendations for their management are guided by the General EHS Guidelines.

Food Safety Impacts and Management

Dairy processing should be undertaken according to internationally recognized food safety standards consistent with the principles and practice of HACCP and Codex Alimentarius. Recommended food safety principles include the following:

- Respect “clean” and “dirty” zoning, designed in accordance with HACCP prerequisites. To ensure:
 - The cooling chain is unbroken for sensitive products requiring refrigeration;
 - Full traceability of all materials and products throughout the supply chain;
 - Adequate veterinary inspection, including examination of vaccination certificates for the animals in the supply chain;
 - Comply with veterinary regulations and precautions for management of waste, sludge, and by-products;
 - Institutionalize all HACCP prerequisites, including:
 - o Sanitation;
 - o Good-management practices;
 - o Implementation of integrated pest and vector management programs;
 - o Chemical & allergen control;
 - o Customer complaints mechanism;
 - o Traceability and recall.

Guideline Effluent Levels for Dairy Processing

Pollutants	Units	Guideline Value as per GIIP
pH	pH	6-9
BOD ₅	mg/l	50
COD	mg/l	250
Total nitrogen	mg/l	10
Total phosphorous	mg/l	2
Oil and grease	mg/l	10
Total suspended solids	mg/l	50
Temperature increase	°C	<3 ^b
Total coliform bacteria	MPN ^a /100 ml	400
Active ingredients / Antibiotics	Determined on a case specific basis	

^aMPN = Most Probable Number
^b At the edge of a scientifically established mixing zone which takes into account ambient water quality, receiving water use, potential receptors and assimilative capacity

Source: IFC

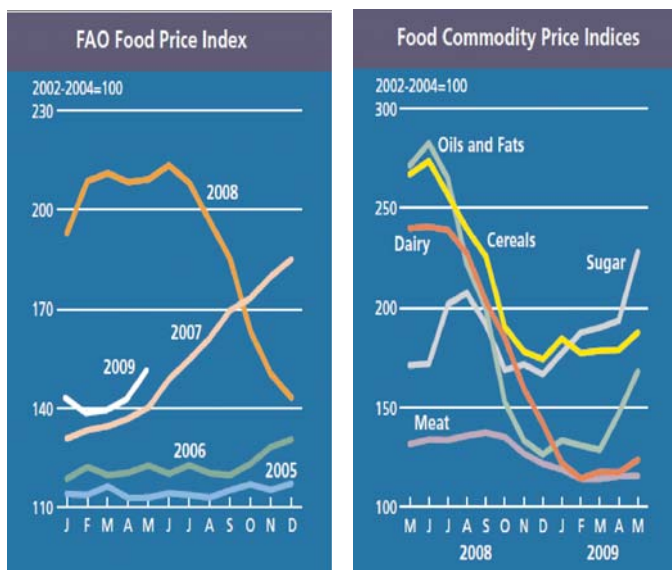
Reference:

➤International Finance Corporation (IFC)

Agriculture & Food Exports from India in the Context of Global Economic Slowdown

The impact of the global financial crisis on Indian agriculture have been felt by way of low price realization (due to decline in global commodity prices), slowdown in exports (due to slowdown in demand and protectionist measures adopted by partner countries), and changes in availability and cost of financing (due to overall risk aversion and decline in trade finance), and through volatility in exchange rates.

It may be noted that prior to the crisis, agricultural commodities witnessed boom in price realization; some experts opined that the then declining US dollar pushed up global commodity prices which were denominated in US dollar, and when US dollar appreciated by the end of 2008, commodity prices collapsed. Some experts opined that another reason for decline in prices of agricultural commodities was due to shift in asset class. In this context, it may be noted that agricultural commodities have become part of index and hedge funds, and during the periods of uncertainty, investors shift to real assets. Some other experts opined that rapid growth and rising incomes in emerging developing countries e.g. India and China had increased the demand further for agricultural commodities engaged in manufacturing / value addition. Bio-fuel further pushed up the demand curve even faster. Both factors have added to the already high commodity prices. On the supply side, it may be noted that there has been a decreased investment in agricultural R&D, and general neglect of agricultural development over the past two decades. This has led to contraction in growth in supply of agricultural products owing to low productivity.



Source: FAO, 2009

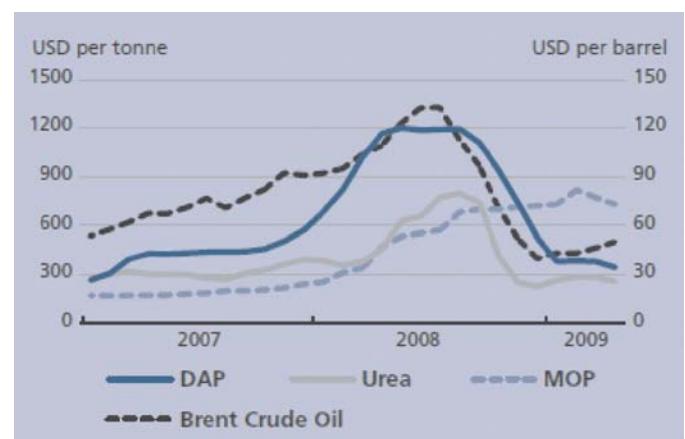
The impact of global economic slowdown on demand for agricultural commodities may continue for some more time, according to some industry observers. They also opined that the demand for, and prices of raw materials such as natural rubber and fibres has been the hardest and fastest hit, followed by livestock

products, for which income elasticities are relatively higher. The impact on basic foods, such as cereals may be less, as consumption levels are defended and demand is maintained. Developing countries, dependent on exports of raw materials and tropical products has been facing balance of payments problems in the absence of a similar or stronger decrease in the cost of food imports. The prevailing uncertainty and consequent negative market expectations are likely to dampen overall demand further.

Decline in agricultural trade - Decline in import growth in developed countries has been affecting exports from developing countries. Availability of credit and liquidity is constraining agricultural trade, adding to the downward pressure on international prices but also reducing trade volumes.

Cutback in production reducing scope for rebuilding stocks - Lower prices affect incentives for producers to make the investments needed to achieve greater food security in the medium and long term. With incentives for producers reduced, producers may tend to cutback the production, also reducing scope for rebuilding grain stocks. World cereal production in 2009 is forecast to reach 2,219 million tonnes (including rice on a milled basis), 3% down from last year's record high. In addition to declining commodity prices, production has been also affected by rising input cost. World fertilizer prices tripled in 2007-08.

Monthly fertilizers and oil prices (January 2007-April 2009)



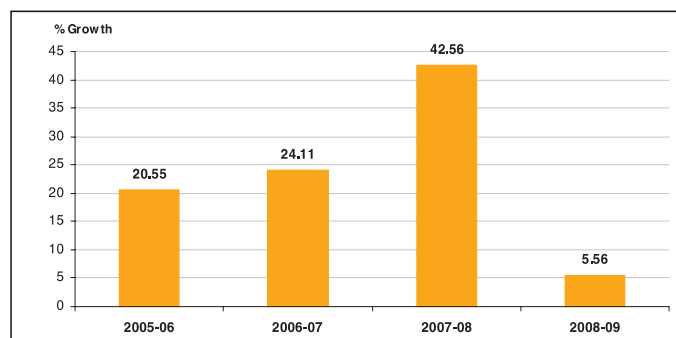
Source: Compiled from the Fertilizer Week and Fertilizer Market Bulletin

Impact of Global Crisis on India's Agriculture

Agricultural exports from India recorded a marginal growth of 5.56% (y-o-y basis) during 2008-09. The marginal growth may be attributed to the global economic crisis and associated slowdown in demand, which resulted in sharp decline in exports of agricultural and allied products from India since October 2008, specifically to USA and Europe. Agricultural exports have also been affected to some of the developed Asian markets such as Japan for certain high value products. During April 2008-February

2009, India's exports of agriculture and allied products to USA marginally increased from US\$ 1053 million to US\$ 1189 million, and to Europe, the same has increased from US\$ 2729 million to US\$ 2804 million. India's agricultural and allied products exports to Asia (excluding Middle East) declined from US\$ 7583 million to US\$ 6574 million.

Growth (%) y-o-y basis in Agri Exports from India



Data-source: DGCIS

The impact of economic recession on agricultural exports has been visible in many major export commodities. Agricultural products such as floriculture, poultry, shrimps and other marine products, sugar and molasses, non-basmati rice, sesame and niger seeds, fruits and vegetable seeds, and pulses have been negatively impacted in contrast to their general growth trend. Though Government of India provides shield to the Indian farmers by intervening in the agricultural markets, its intervention is limited to few commodities across few states. In spite of Government's efforts, farm income is expected to have a slight adverse impact due to the crisis. Although recession does not appear to have any effect on prices of primary articles, contraction in demand may lead to lower consumption of high value agricultural commodities.

Despite the global slowdown, according to APEDA, agri and processed food exports from India may register an increase in absolute growth in the current financial year due to higher demand from Asian and African markets. At present, around 70% of the country's agri and processed food exports are to developing countries in the Middle East, Asia, Africa and South America. The global downturn is hitting the profitability of supermarkets in developing countries, who, instead of sourcing expensive products from developed markets, are now looking at less-expensive products from countries such as India.

Reference:

- FAO
- APEDA

Industry sources

Exports of Agricultural Products from India 2008-09

Values in US\$ Millions

Commodity	Apr-Mar 2008	Apr-Mar 2009 (P)	%Growth	%Share
PLANTATION	970.76	1,074.81	10.72	0.59
1. Tea	505.5	584.35	15.6	0.32
2. Coffee	465.26	490.45	5.41	0.27
AGRI & ALLIED PRDTS	13,546.02	14,299.78	5.56	7.83
1. Cereal	3,667.20	3,280.87	-10.53	1.8
a) Rice	2,921.05	2,428.24	-16.87	1.33
b) Wheat	0.06	0.32	432.52	0
c) Others	746.09	852.31	14.24	0.47
2. Pulses	130.81	117.46	-10.21	0.06
3. Tobacco	480.08	751.8	56.6	0.41
a) Unmanufactured	356.05	600.93	68.78	0.33
b) Manufactured	124.03	150.87	21.64	0.08
4. Spices	1,072.25	1,378.06	28.52	0.75
5. Nuts & Seeds	1,247.77	1,245.44	-0.19	0.68
a) Cashew incl CSNL	555.35	637.2	14.74	0.35
b) Sesame & Niger seed	430.49	338.85	-21.29	0.19
c) Ground nut	261.94	269.39	2.84	0.15
6. Oil Meals	2,022.95	2,232.77	10.37	1.22
7. Guar gum Meal	279.75	291.13	4.07	0.16
8. Castor Oil	317.02	462.83	46	0.25
9. Shellac	30.81	22.59	-26.69	0.01
10. Sugar & Mollasses	1,407.21	985.24	-29.99	0.54
11. Processed Foods	1,442.41	1,827.54	26.7	1
a) Fresh Fruits & Vegetables	726.74	956.45	31.61	0.52
b) Fruits/Vegetable seeds	35.28	26.07	-26.1	0.01
c) Processed & misc processed items	680.39	845.01	24.2	0.46
12. Meat & Preparations	931.75	1,167.79	25.33	0.64
13. Poultry & Dairy Products	345.36	335.53	-2.85	0.18
14. Floriculture Products	84.57	80.19	-5.18	0.04
Spirit & Beverages	86.06	120.55	40.09	0.07
MARINE PRODUCTS	1,721.30	1,535.90	-10.77	0.84

(P) Provisional

Source: Ministry of Commerce & Industry, Government of India

NEWS FOCUS
Asia and UHT milk to lead strong growth in aseptic packaging

The global market for aseptically packed products is forecast to increase sharply by 47% from US\$ 187 bn in 2008 to US\$ 265 bn by 2013, driven mainly by demand in UHT milk packaging. In 2008, UHT milk accounted for around 45 % of aseptic package use, with beverage volume reaching over 40 %. Volumes of beverages packed including UHT milk is expected to rise by 31% from US\$ 86 bn litres in 2008 to US\$ 113 bn litres in 2013.

Both in terms of pack numbers and volume, strongest growth is forecasted in Asia. In terms of numbers of white milk packs, the Asian market already accounts for 56 % of world use. This share is forecast to rise to nearly 70 % by 2013. The most rapidly growing application is for plastic pouches, and continued growth of around 15% per year is forecast till 2013. Much of this growth is projected in China, although there will be an increased use of the pack type in other developing markets.

Volumes have grown annually by over 6 % since 2003, with Asia achieving the fastest rise at over 13 % a year. The prospects until 2013 are expected to be broadly on similar trends, with annual growth projected at 5.6 %. Expansion is forecast to be greatest in Asia with increases set to reach 11 % a year.

Source: www.foodproductiondaily.com, June 2009

US functional food market is worth US\$ 27 billion

According to a report by Pricewaterhouse Coopers, the US functional foods market is projected to grow by up to 20 % or five times that of its food industry as a whole. Functional foods account for 5 % of the food industry, with consumers more interested than ever in fortified foods – even those whose overall nutrient profile is variable.

Dairy products, driven by the rise of probiotic products were the most successful sector registering a sales level of US\$ 7 billion in 2007, which was about a quarter of the functional foods total.

Source: www.dairyreporter.com, August 2009

Kenya emerges as the top exporter of tea

According to Kenya Tea Board, Kenya was the largest exporter of tea accounting for 23% of total world tea exports in 2008. Kenya exported 345.88 million kg in 2007 against 294.25 million kg by Sri Lanka, the second largest exporter. China was the third largest exporter with 289.43 million kg, followed by India with 178.75 million kg.

Kenya produced 370 million kg in 2007 and 345 million kg in 2008. In 2009, the production is expected to be around 320 million kg, the decline in production is mainly because of the continued drought in the country. Kenya is predominantly a Black CTC tea producer with 99.9% production being CTC. Kenya hosts the second largest tea auction in the world at Kenya's port city of Mombasa. About 10% of Kenya's population depends on tea for their earnings. Tea contributes to 4% GDP and 26 % of the country's total forex earnings.

About 95% of Kenyan tea is packed in bulk for exports, while only 5% of the production is sold and consumed locally in value added form. Kenya has close to 50 active tea packers who pack mostly for the domestic market and about 100 buyers who blend and pack tea for the export market. Most packers and buyers are certified under ISO 9001 / 2000, ISO 22,000, KS 1920 and other ethical and retail standards.

About 75% of the exports of Kenyan tea are to countries like Pakistan, the UK, Egypt, Sudan and Afghanistan. It may be mentioned that first tea seedlings were introduced to Kenya from India in Limuru, near Nairobi. Commercial cultivation began in 1924.

Source: www.fnbnews.com, August 2009

The news items and information published herein have been collected from various sources, which are considered to be reliable. While every care has been taken for authenticity of the material published, Exim Bank accepts no responsibility for authenticity or accuracy of such items.

Export-Import Bank of India, Centre One Building, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005. Tel.: 2217 2600 Fax: 2218 2572 E-Mail: cag@eximbankindia.in
Agri Business Group : agrigrp@eximbankindia.in / sumana@eximbankindia.in Website : www.eximbankindia.in

Contact Numbers: Ahmedabad: 26576852, Bangalore: 25585755, Chennai: 25224714, Guwahati: 24622951, Hyderabad: 23307816, Kolkata: 22833419, Mumbai: 22830761, New Delhi: 23326375, Pune: 26458599, Dakar: (00221) 8232849, Dubai: (009714) 3637462, Durban: (2731) 5846118/19, London: (0044) 20-73538830, Singapore: (0065) 653 26464, Washington D.C.: (001) 202-223-3238

