

## FOCUS: INTERNATIONAL

### Notable, strong - India's advancing economic and agricultural growth

When many of the world's nations are experiencing economic hardship, India is advancing. India is the largest democracy in the world with a stable political system. India also has the second largest population and is the third fastest growing economy in the world with the GDP growth rate peaking to 9.4% in 2006-07. This \$1 trillion USD economy is the fourth largest by purchasing power in the world with a wealthy middle class population of 300 million.



Context  
Consultant,  
Kishore Rao

International Monetary Fund (IMF) experts forecast world economic growth to fall to its lowest level since World War II. IMF Chief Economist, Olivier Blanchard recently noted, "We now expect the global economy to come to a virtual halt." However, while IMF has lowered India's and China's growth projections for 2009 to 5 percent and 6.75 percent respectively, India's former finance minister said it will still be the second fastest growing economy in the world.

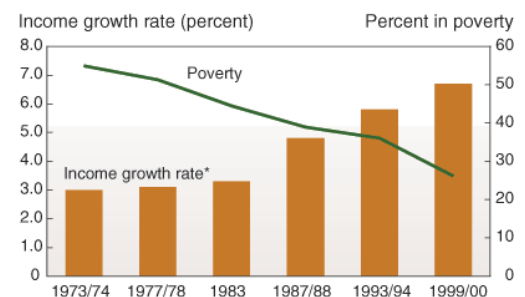
Foreign investors perceive India as an attractive destination due to its established judicial system, legal, regulatory and tax systems which make it easy for companies to understand and operate within the business environment.

The use of English in business and commerce and highly skilled and large booming consumer markets and relatively low cost work force are advantageous. Also, India has probably the most open and liberal investment regimes among the emerging economies, with a conducive environment for foreign direct investment.

According recent studies, if this growth path continues over the next two decades, the Indian market will undergo a major transformation, with incomes tripling and pushing India from its position as the 12<sup>th</sup> largest market to become the world's fifth-largest consumer market by 2025. The top end-middle class consumer group purchasing power is expected to swell from its current size of 50 million to 583 million people (with disposable annual incomes between US \$20,000 and \$110,000). By 2025, over 23 million Indians – more than the population of Australia today- will number among the country's wealthiest citizens.

These fundamentals have made India difficult to ignore, and most leading international players have entered the Indian market with long-term plans in spite of many issues common to emerging economies. The consumer market and its changes are of paramount importance to how the processed food and allied businesses, like cold storage, will develop.

#### Higher income growth has boosted food demand and reduced the incidence of poverty



\*Income growth rate for preceding 5 years.

Source: Economic Survey, Government of India.

(Continued)

The booming economy is making an impact which is visible across the country. Growing incomes are driving consumption and as a result, organized food retail and food services are advancing at a searing pace.

Organized food retail has been growing at 25% per annum with the arrival of the world's leading retail chains and the involvement of large Indian business houses. This growth has led to opportunities for both domestic and international players as well as imports to enter the Indian market with their high quality and niche products all requiring modern services which are currently almost nonexistent.

#### FROM AN AGRICULTURE PERSPECTIVE:

Agriculture is one of the strongholds of the Indian economy and it accounts for 18.5 percent of the gross domestic product (GDP). Agriculture draws its significance from the fact that it has vital supply and demand links with the manufacturing sector and is a source of livelihood for the rural population of India, representing the backbone of rural livelihood security system.

*“Agriculture is one of the strongholds of the Indian economy, accounting for 18.5% of the gross domestic product.”*

In 2007-08, India achieved a record food grain production of 227 million tons, posting a growth of 10 to 12 million tons in excess of the previous fiscal year. With an added two to three million tons during the Rabi season, it would touch 230 million tons - a landmark in food grain

production. India has become the world's largest producer across a range of commodities due to its favorable agro-climatic conditions and rich natural resource base.

Currently, India is the world's largest producer of cotton, coconuts, mangoes, bananas, milk and dairy products, cashew nuts, pulses, ginger, turmeric and black pepper. It is also the second largest producer of rice, wheat, sugar, fruits and vegetables globally.

Faster growth is strengthening and diversifying consumer demand and boosting India's demand for imported vegetable oils, pulses, wheat, and cotton and making it the largest markets in the world for edible oils and pulses.

Increasingly, agricultural companies are paying attention to India's promising business environment. Prospects are good. Indicators are solid. Amongst global economic hardships, India continues to show notable and strong agricultural and economic performance, making it difficult to ignore.

###

**The Context Network** provides business management and strategy consulting services to the world's leading agriculture, biotechnology and food companies and government agencies and institutions. Major areas of expertise include strategy, merger and acquisition support, valuation of new technologies, formation of alliances, and market research. The West Des Moines-based firm is composed of a core of professional consultants that is complemented by a network of more than 100 industry and subject-area experts.