

Sector	Project Title
Agriculture/Food Processing	Milk Processing Unit

Project Description

The Agricultural sector contributes approximately 15.7% of India's GDP. India is the world's largest producer across a range of commodities due to its favourable agro-climatic conditions and rich natural resource base.

The Food Processing sector is a highly fragmented industry and widely comprises of the following sub-segments:

- Fruits and Vegetables,
- Milk and Milk products,
- Beer and Alcoholic beverages,
- Meat and Poultry,
- Marine products,
- Grain processing,
- Packaged or Convenience food and Packaged drinks.



It accounts for more than 70% of the sector's output in terms of volume and 50% in terms of value. Though the organized sector seems comparatively small, it is growing at a much faster pace.

India is the largest producer of milk and dairy products. The Country's annual milk production is estimated to reach 134 million tonnes by the year 2015. India's dairy market is a multi layered pyramid with the base made up of a vast market for low cost milk. The tip of the pyramid is a small, affluent market for western type milk products. The bulk of milk demand is from the urban poor whose individual requirement is small but it adds up to volumes of the order of millions of litres / day.

Various products that can be manufactured by processing of milk include ghee, butter, skimmed/ whole milk powder, dairy whitener, casein, whey protein concentrate and lactose powder. Exports of dairy products are growing at 25% p.a. in terms of quantity and 28% in terms of value since 2001.

To realize the present and upcoming opportunities in milk and dairy products sector, the proposed project envisages the setting up of milk processing units in the State of Madhya Pradesh.

Project's Value Proposition

India is one of the world's major food producers but accounts for less than 1.5 % of international food trade. This indicates vast scope for both investors and exporters. In order to further boost the growth of the Food Processing industry, the Government of India has formulated a Vision-2015 action plan under which specific targets have been set. This includes:

- Trebling the size of the food processing industry from around US\$ 70 billion to about US\$ 210 billion
- Raising the level of processing of perishables from 6% to 20%
- Increasing value addition from 20% to 35%
- Enhancing India's share in global food trade from 1.5% to 3%

India annually produces 105 million tonnes of milk (highest in the world). While its agricultural production base is strong, at the same time wastage of agricultural produce is massive. The share of India's export

of processed food in global trade is only 1.5% at present. Within the country, the share of milk processed is 35%.

The phenomenal rise in India's middle class population and the emergence of organized food retail chains/ super markets will lead to increased demand for milk and dairy in packaged as well non-packaged forms.

Setting up of milk processing units in Madhya Pradesh has logistics advantages. MP also has the highest cattle population in India. The State has also seen growth of cross-bred population of cattle.

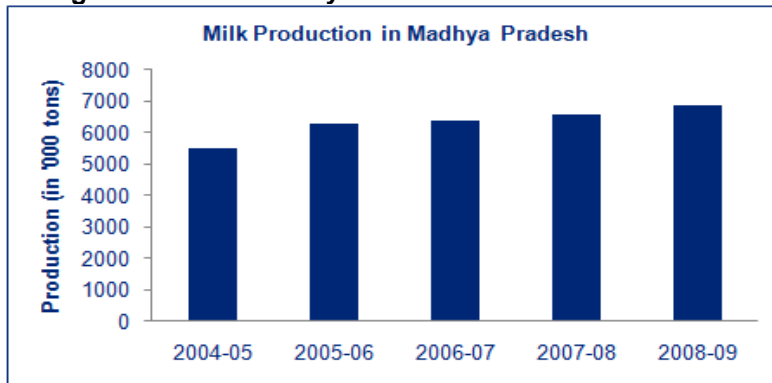
MP's value proposition

Madhya Pradesh is ideally suited to house this project on account of the following reasons:

Natural resources and abundant raw materials

- Presence of 11 out of 18 Agro Climatic zones of India, 5 crop zones, and 4 soil types will suit production of almost any crop
- Established diversified crops - Field Crops, Fruits, Spices, Vegetables, Medicinal and aromatic plants
- Wider combination of soil type, rainfall, sun light, and temperature to suit new crops
- Around 100 agricultural farms with an area of over 20,000 acres which is available on lease to investors
- Marketable surplus in several key commodities
- Highest cattle population in India (1.85 crore)
- Enhancement of Milk Production by more than 25% in 2008-09
- 79.1% growth of Cross Bred Cattle Population in MP during 17th Animal Census 2003 against the growth of 22.8% at National Level

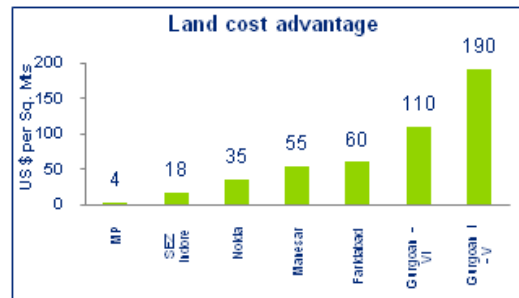
Increasing Production in Dairy



Source: Economic Survey, MP 2009-10

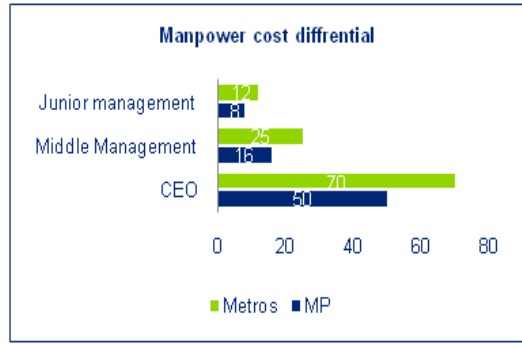
Land cost advantage

- MP offers cheap land cost in comparison to other developed industry centres



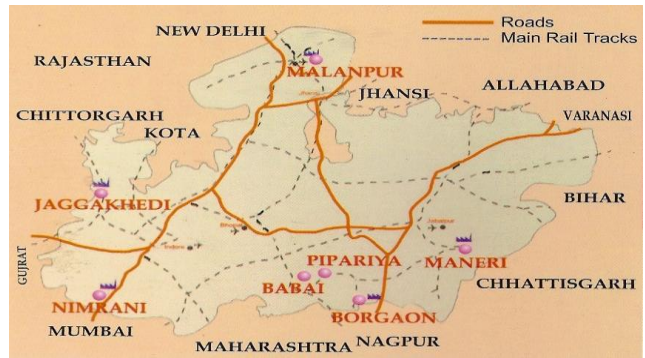
Man Power Cost Advantage & peaceful labour environment

- Cost to a company for human resources is cheaper by 30-35% in the State
- Greater saving potential for the executive levels on account of cheaper land, cheaper housing and cheaper labour
- Mandays lost over last 5 years < 1% of total available mandays
- One of the most peaceful and labour productive State



Food Parks & supporting infrastructure

- Six food parks are / are being established in MP at:
 - Jaggakhedi – Dist Mandsaur
 - Nimrani – Dist Khargone
 - Babai-Pipariya – Dist Hoshangabad
 - Borgaon – Dist Chhindwara
 - Malanpur-Ghirongi - Dist Bhind
 - Maneri – Dist - Mandla
- These food parks have all the common facilities expected in an industrial park along with common facilities needed for agro industry like:-
 - Cold Storages /modified atmosphere cold storages
 - Warehousing facilities
 - Milk Chilling plants
- All the food parks have excellent rail and road connectivity
- Another 16 food parks have already been planned across the State
- A Centre for Perishable Cargo is being developed at Indore airport
- A Mega Food Park in Jabalpur is proposed, to be developed as an SEZ
- A Multi Modal Logistics Hub to be developed in Pawarkheda, MP.



Presence of leading players from milk processing industry

To take benefits of the advantages, Madhya Pradesh offers, many renowned players have set up their milk processing units in the state. A partial list is furnished in following table.

Sr.	Name of Unit	District	Main Products	Brand Name
1	V R S Foods Limited	Bhind	Ghee, Milk Powder	Paras
2	Anik Industries Ltd.	Bhopal	Milk, Butterm Ghee	Anik
3	Delight Dairy Ltd.	Indore	Milk Powder, Ghee, Butter	Delight
4	Chambal Dairy Products Pvt. Ltd.	Gwalior	Ghee, Milk Powder	
5	Sterling Agro Industries Ltd.	Bhind	Milk Products	Nova

6	Kesar Global Exim Pvt. Ltd.	Indore	Milk Products	Kesar
7	Ramani Ice Cream Co. Pvt. Ltd.	Bhopal	Ice Cream	Top n Town
8	Madhya Pradesh Milk Federation	Bhopal	Milk Products	Saanchi
9	Premier Industries Ltd.	Dewas	Milk Products	Saurabh

Policy Initiatives (for developers and food processors)

- 50% of project cost (excluding land cost) upto maximum of Rs. 500 million available from MOFPI under MFP scheme (subject to MFPS guidelines)
- State capital subsidy for SSI up to Rs. 0.5
- Central Capital subsidy up to Rs. 5 million
- Entry tax exemption up to five years
- ISO-9000 certification cost reimbursement up to Rs. 75000/-
- Project report cost reimbursement upto Rs. 0.3 million
- Interest subsidy up to Rs. 4 million
- Concessions to Mega Projects
- Exemption in stamp duty and registration charges
- Interest subsidy on term loan
- Exemption in Mandi fee
- Reimbursement of expenditure on Quality Certification

Project Specification

The proposed project will have the following specifications:

- Location: Project can be located in any of Vidisha / Indore / Bhopal / Betul / Dhar / Gwalior / Mandasaur districts
- Capacity: The milk handling capacity of a plant is proposed at 10,00,000 litres per day
- Project Cost: Major components of the project (for a single unit) and their estimated costs are presented in the table below:

Particulars	Amount (INR in Millions)
Land	15.00
Building	140.00
Plant & machinery	917.00
Misc. Fixed assets/furniture fixtures	16.00
Contingencies	-
Pre-operative expenses	32.50
Margin money for working capital	162.55
Total	1283.05

- Returns: Internal rate of return is estimated at 15-16%

Project Contacts

Farmer Welfare & Agriculture Development / Directorate of Agriculture

Address: 2nd, 3rd & 5th Floor, Vindhyachal Bhawan , BHOPAL- 462004
Telephone : (+91) (0755) 2551336
Fax : (+91) (0755) 2572468
E-mail : dagmp@dataone.in
URL: <http://www.mpkrishi.org>

Department of Horticulture & Food Processing

Address: 5th Floor, Vindhyachal Bhawan , BHOPAL-462011
Telephone : (+91) (0755) 2578491
Fax : (+91) (0755) 2768159
E-mail : dirhort@mp.nic.in
URL: <http://www.horticulture.mp.gov.in>

Madhya Pradesh State Agricultural Marketing Board

Address: 26, Kisan Bhawan, Arera Hills, BHOPAL - 462004
Telephone : (+91) (0755) 2553429
Fax : (+91) (0755) 2553806
E-mail : jdsamb@sancharnet.in
URL: <http://www.mpmadboard.org>

MP State Agro Industries Development Corporation Ltd

Address: IIIrd Floor, Panchanan Bhawan, Malviya Nagar , BHOPAL - 462003
Telephone : (+91) (0755) 22551652
Fax : (+91) (0755) 2557305
E-mail : mpagro_bpl@airtelmail.in
URL: <http://www.mpstateagro.nic.in>

Madhya Pradesh Trade and Investment Facilitation Corporation Ltd.

Address: AVN Towers, Mezzanine Floor, 192 Zone -1, M.P Nagar , BHOPAL-462011
Telephone : (+91) (0755) 2559970, 2559979, 2768058
Fax : (+91) (0755) 2559971
E-mail : trifac@mptrifac.org; md@mpsidc.org
URL: <http://www.mptrifac.org>