

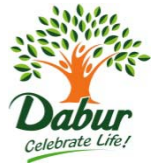


INDIAN AGRICULTURAL COMMODITIES AND DABUR : A SUCCESS STORY

World Spice Congress
New Delhi, 4th February, 2010

Somit Mukherjee
Dabur India Ltd

Since the last Congress....

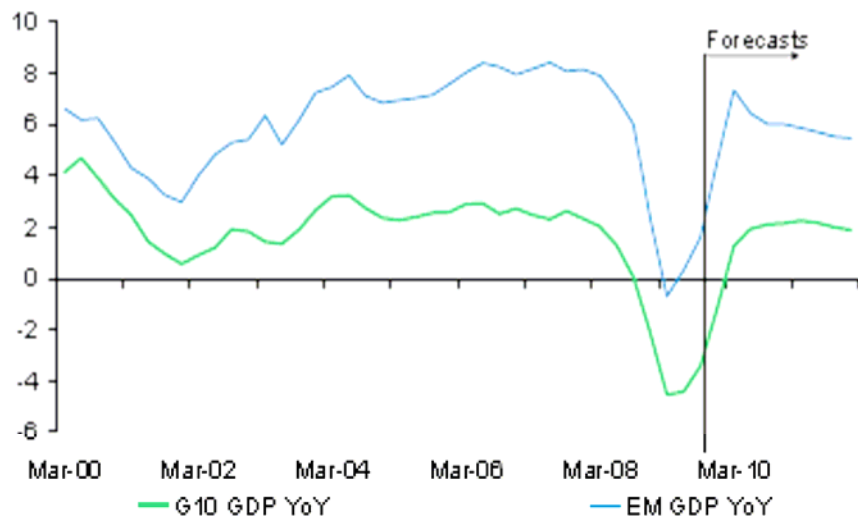


- The World slipped into a recession, born out of a financial meltdown largely brought about by the housing crisis
- The United States and the Eurozone slipped into negative growth zone – for only the 3rd time in recorded history
- Led by the 'consuming' countries, the 'producing' or 'exporting zone countries' led by South East Asia and China shivered with growth coming to a grinding halt
- Global equity markets collapsed like nine pins, with investor wealth eroding by more than half
- Commodities (esp. oil and metals) shook in the wake of the financial crisis, hitting a free spending Russia and the Middle East
- 2009 was the year of the 'stimulus' with money over 10% of the global GDP pumped into the system as a part of synchronised bail-out of the financial system and efforts to prop up the job sector
- Agricultural commodities fared much better overall, barring Vegetable oils. Only Commodities with strong Supply and Demand fundamentals like Spices held on their ground while Sugar made a new high
- Gold appreciated by 40% as all and sundry rushed into its 'safe haven'
- Countries having a strong domestic consumption and production base like India did much better than the rest
- 2010 promises to be much better, with growth gaining traction in most markets and prices back in green in most classes of commodities

THE GLOBAL GROWTH PATTERN



A Tale of Two Worlds: EM versus G10

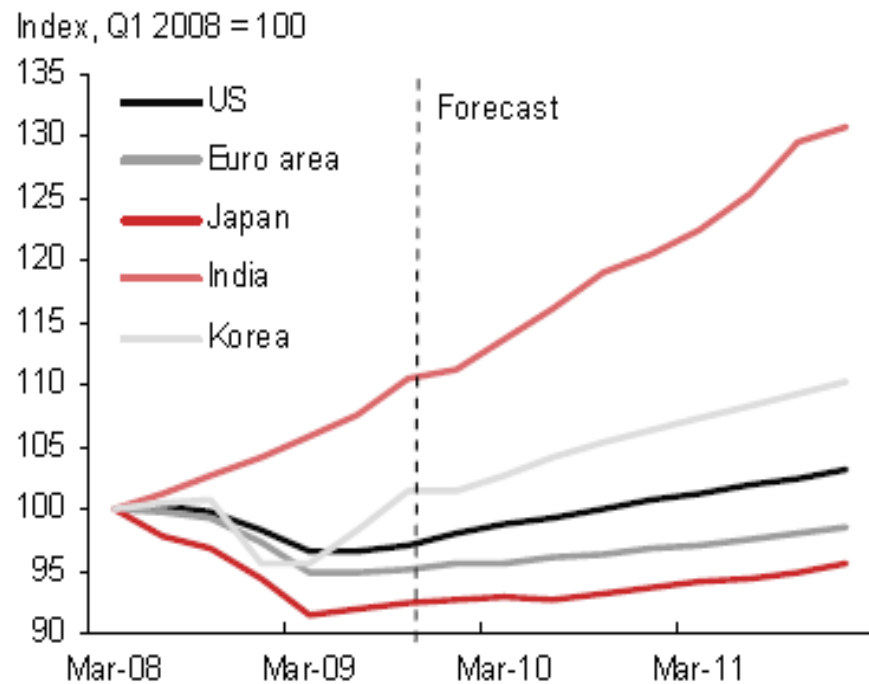


Global Forecasts at a Glance

%	Real GDP			CPI		
	2009e	2010e	2011e	2009e	2010e	2011e
Global economy	-1.1	4.0	3.9	1.9	3.0	3.3
G10	-3.4	1.9	2.1	0.0	1.7	1.7
EM	1.6	6.5	5.8	4.3	4.5	4.9

Source: Morgan Stanley Research estimates

Figure 3. GDP path: 2008-2011, key countries/regions



Source: Nomura Global Economics.

- GDP growth in the Emerging Markets expected to be ahead of the developed world
- India seen racing ahead

Global Price Index (all Commodities)



CRB CCI INDEX CASH ... weekly OHLC p/bt

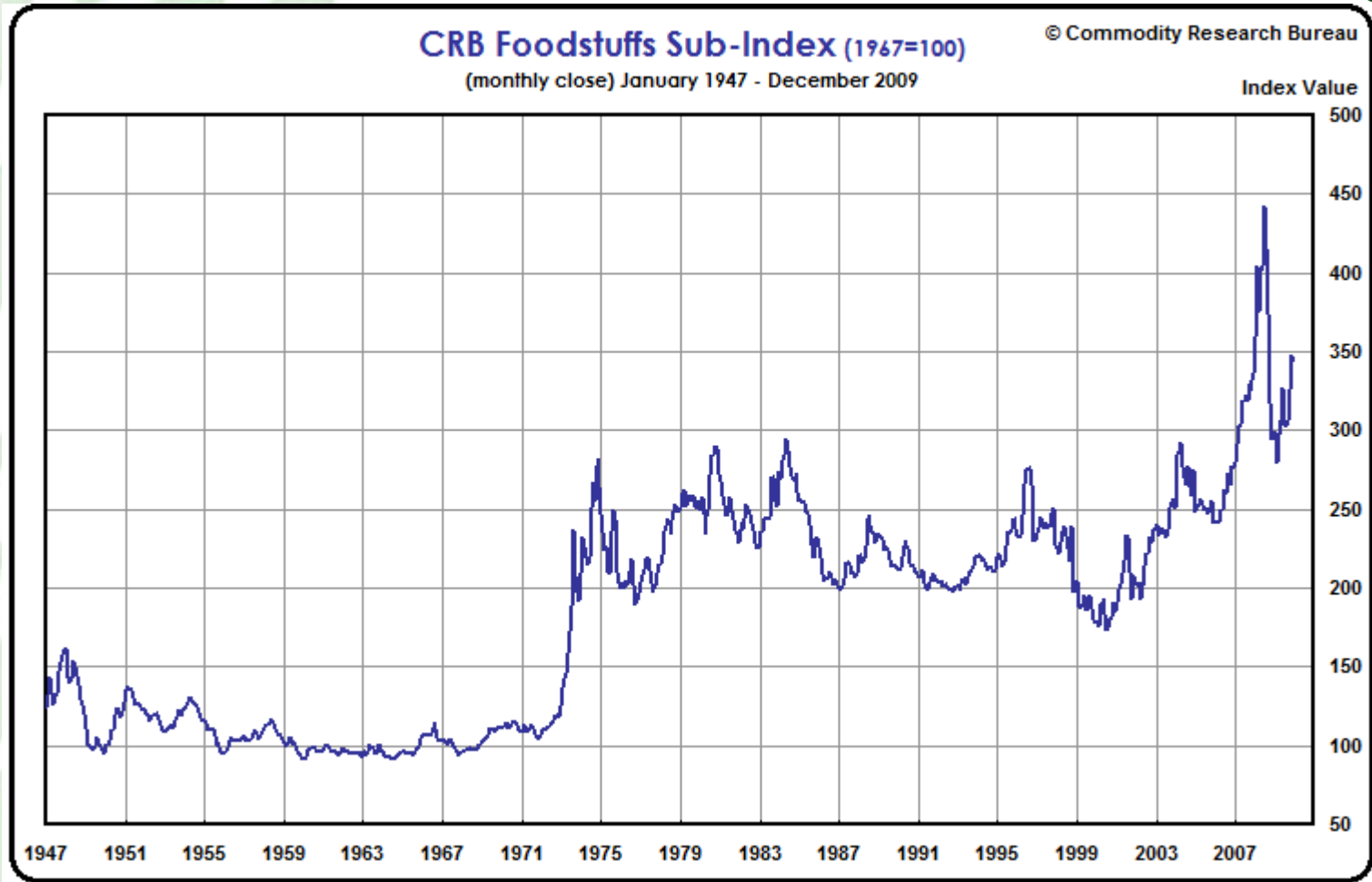


As of 01/25/10

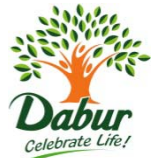
@ Barchart.com

The volatility of Commodity prices reflecting the fortunes of the Global Financial markets, marking the influence of virtual Trading activity on International Commodity exchanges in addition to the fundamentals of Supply and Demand

Global Price Index (Food stuffs)



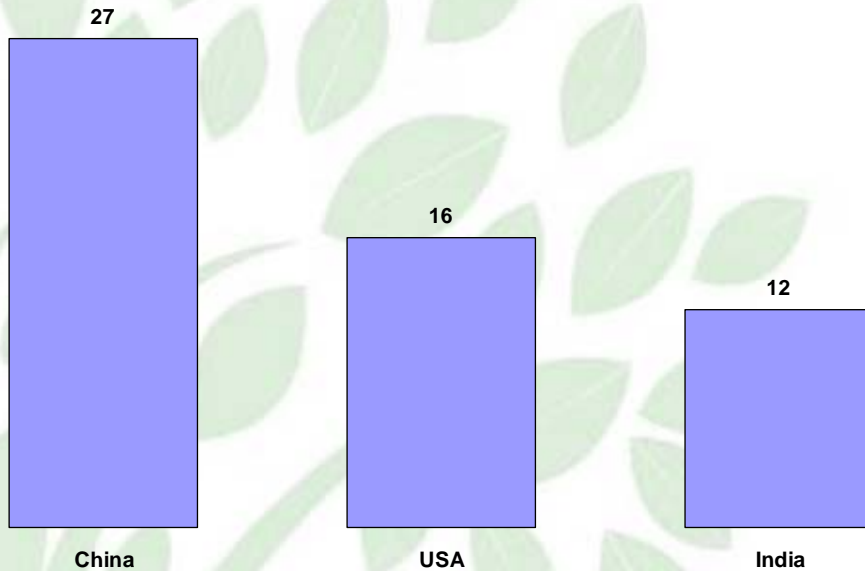
Global Food Price Index – Food & Agriculture Organization



India's increasing contribution to Global growth

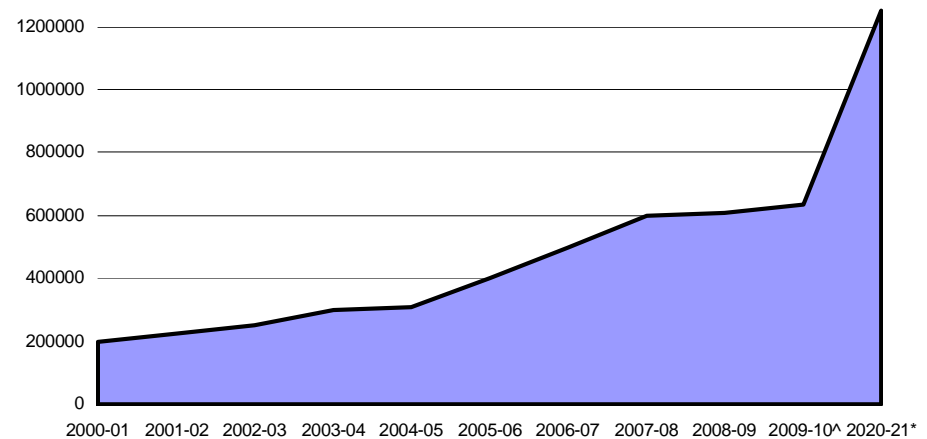


Projected contribution to global growth during 2006-2020



India will be third largest contributor to global GDP

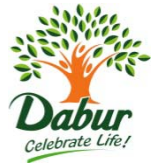
Tax Revenue



.....Raising money for the govt. for re-investment

.....Mirroring rising incomes

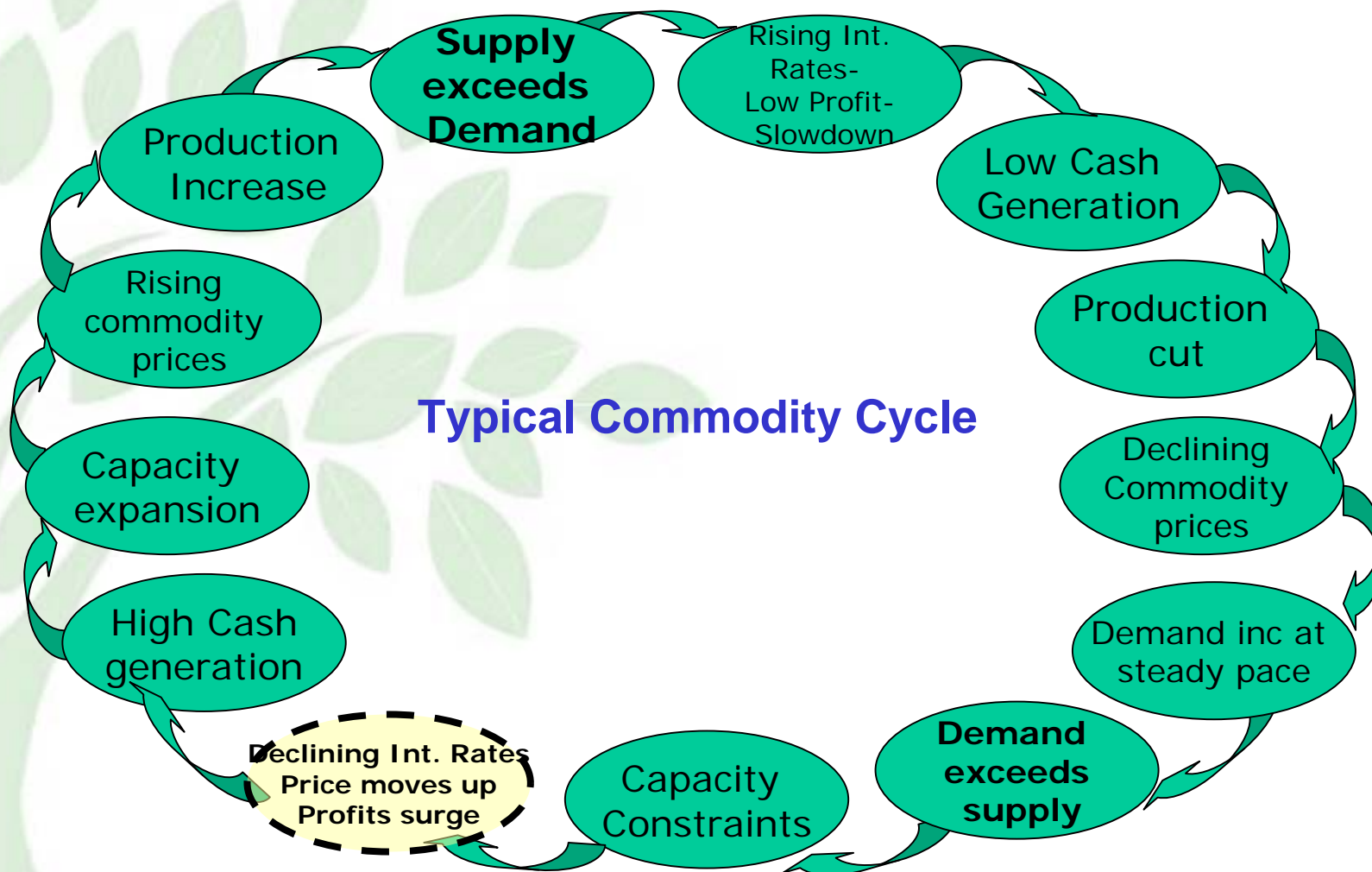
Food Price Movement- India



WPI based Food Inflation



Commodity Cycle



INDIA'S AGRO COMMODITIES



- Indian Agriculture can be traced back to more than 10,000 years
- India ranks 2nd in the world in terms of farm output, following the United States
- The agricultural economy is sized at USD 200 billion (approx. Rs 9 lac crores) including varied commodities like cereals (Wheat,Rice,Maize), Oilseeds, Sugarcane, Pulses, Spices, Herbs, milk etc
- Agriculture contributes 17% to the national GDP, which as a proportion is amongst the largest in the world
- About 40% of the geographical area is devoted to the profession
- Agriculture and allied sector is the largest single employer in the country – using 60% of its workforce
- Today, India is the largest producer of milk, tea, ginger, coconuts, turmeric and the second largest producer of wheat, rice, sugar and groundnut

INDIA : THE SPICES COUNTRY

GEOGRAPHICAL SPREAD OF SPICES



Almost all states of the Indian Union lay claim to the cultivation of one or more spice varieties

Kerala and the North East lead in Varietal diversity

INDIA'S DIVERSITY IN ITS SPECIES AND VARIETIES



Country or Area	Pepper (Black)	Pepper (White)	Ginger	Cardamom	Cloves	Chillies	Paprika	Vanilla	Cinnamon	Cassia	Nutmug and Mace	Pimento(All Spice)	Turmeric	Saffron	Anise seed	Cumin seed	Coriander	Caraway seed	Dill	Fennel	Celery
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
Argentina																					
Bangladesh			X			X							X				X				X
Brazil	X	X	X		X												X				
Bulgaria							X										X				
Canada																					
Chile												X									
China			X			X	X			X			X							X	X
Cyprus															X						
Egypt						X	X								X						
El Salvador				X		X	X									X		X			
Ethiopia						X	X									X					
Fiji			X														X				
France								X													
Greece							X														X
Grenada																					
Guatemala				X		X		X			X										
Honduras											X										
Hungary							X					X									
India	X		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Indonesia		X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Iran																					
Italy																					X
Jamaica			X										X								
Japan						X															
Madagascar	XX		X		XX		X		X	XX				X		X					
Malaysia	XX	XXX		X	XX			X		XX											
Mauritius							XX														
Mexico							XX	X			X	X			XX				X		
Morocco																				X	
Nepal																					
Netherlands			X	X		XXX											X				
Nicaragua											X							X			
Nigeria			X			X						X									
Papua New Geunea				X	X				X								X				
Poland																					
Pakistan																					
Portugal						XX	X													X	X
Somoa	X							X													
Seychelles									X												
Vietnam			X			X				X											
Spain							X						X	X							
sierra Leone			X			XX															
Sri Lanka	X		XX	X	X	XX			X	XX											
Syrian Arab Republic																					
Taiwan Provinces(China)			XX			X				XX					XX		X				
Tanzania	X		X	X	X			X		XX					XX						
Thailand											X										
Turkey					X	X								X	X		XX				
Uganda							XXX														
United States																					
USSR							XXX								XX						
Yugoslavia																	X				

India's Production of Spices



	Production in MT		
	India	Global	% of Global
Pepper	50000	275000	18%
Cardamom(Small)	11235	35000	32%
Chilli	1150000	2148000	53%
Ginger	420000	1409909	32%
Turmeric	856464	1150000	74%
Coriander	287647	325000	89%
Cumin	176511	225000	78%
Garlic	833157	15,686,310	5%
Nutmeg	11564	50000	23%
Vanilla	233	6000	4%
Clove	742	108894	1%
Saffron	4.85	250	2%

Average Global prices of Indian Spices

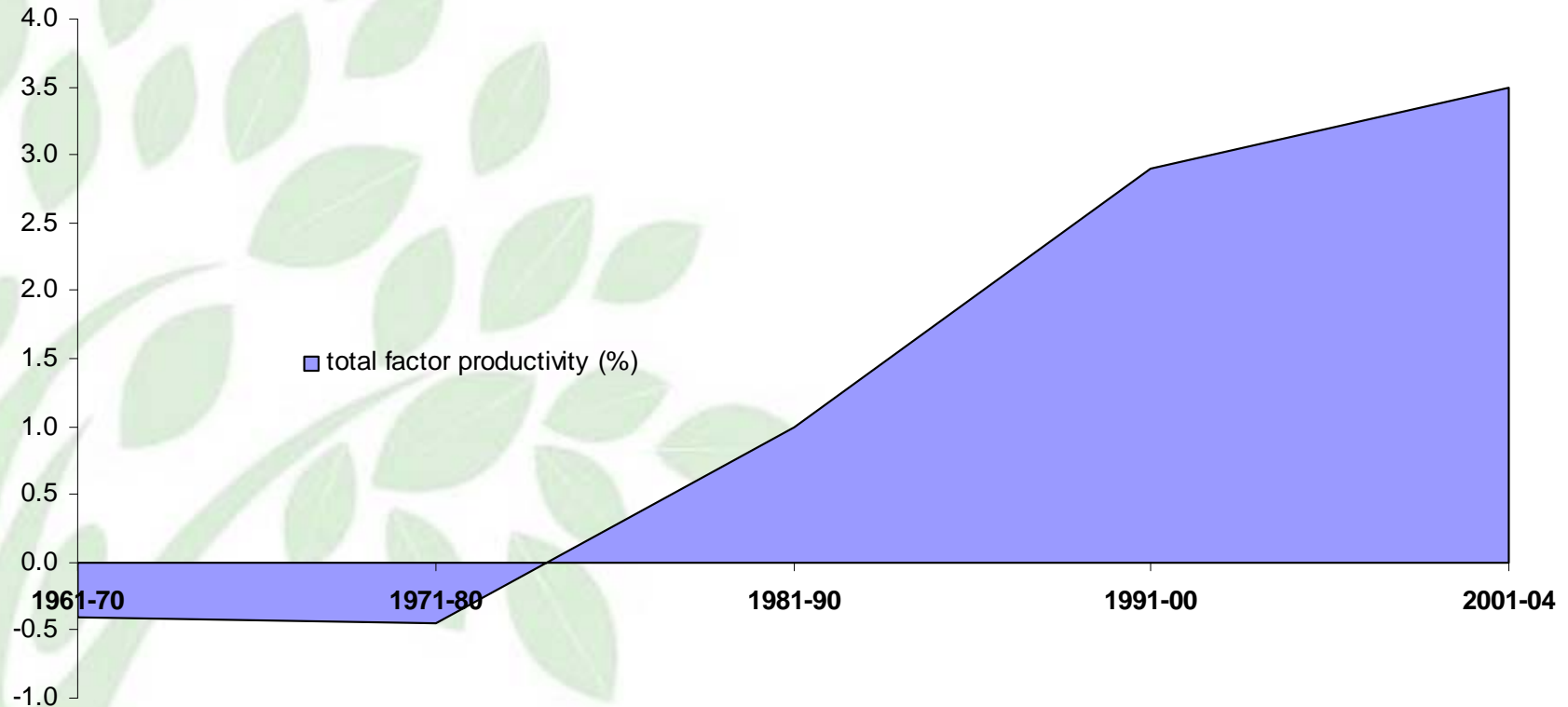
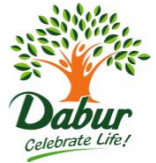
SPICES (USD/kg)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
BLACK PEPPER-MG-1, New York	1.64	1.70	2.62	4.04	3.49	3.08
CARDAMOM(Small), New York	10.70	8.89	9.62	15.45	15.65	19.45
CHILLIES, New York	0.60	0.60	1.04	1.08	1.07	1.08
GINGER, New York	4.28	3.34	1.99	2.22	2.99	3.26
TURMERIC, New York	0.89	0.93	0.88	0.83	0.83	1.03
CUMIN, New York	2.10	2.09	2.24	3.27	3.02	2.84

Average Price Trends of Indian Spices



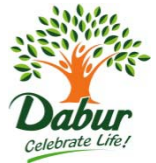
SPICES (Rs/kg)	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
BLACK PEPPER(MG-1), Kochi	69	66	101	140	129	137
CARDAMOM(SMALL), Bodi	398	313	433	614	673	909
CARDAMOM(LARGE), Siliguri	111	108	138	147	147	237
CHILLIES, Guntur	29	25	49	41	48	52
GINGER(Unbleached), Kochi	130	99	55	60	92	126
TURMERIC (Aft fair), Kochi	53	49	42	27	43	68
CORIANDER(Indori), Mumbai	19	21	30	41	67	44
CUMIN (Mumbai)	68	64	77	99	101	109
AJWAN SEED (Mumbai)	43	46	54	69	65	89
CLOVE (Kochi)	249	233	317	256	280	310
CASSIA (Chennai)	52	51	68	68	74	77

Productivity Impact in Indian Agriculture

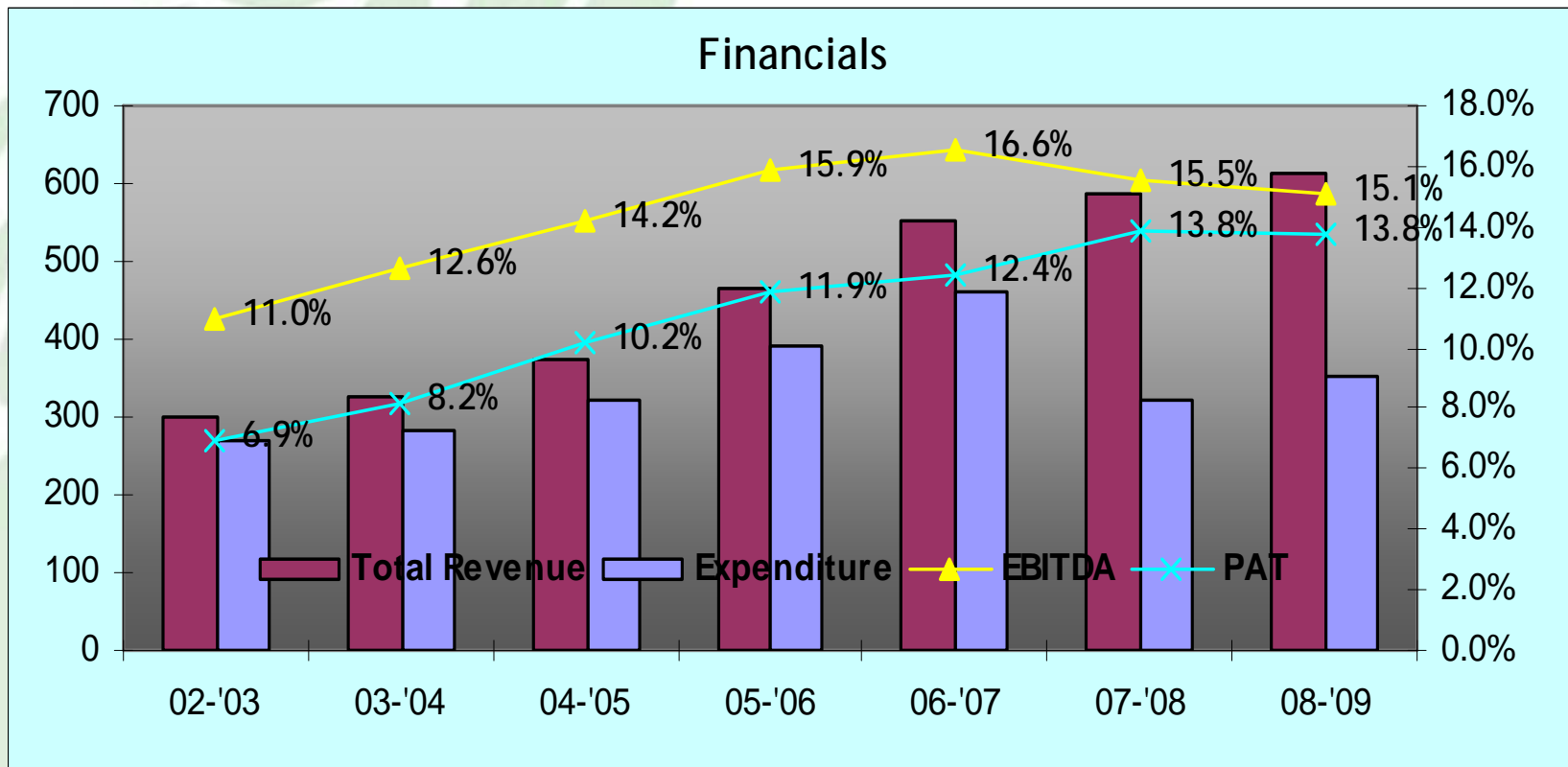


Since 1980, nearly 60% of India's growth has come from the rise in total factor productivity i.e. using more optimization of resources, which is currently highest in the world.

ABOUT DABUR



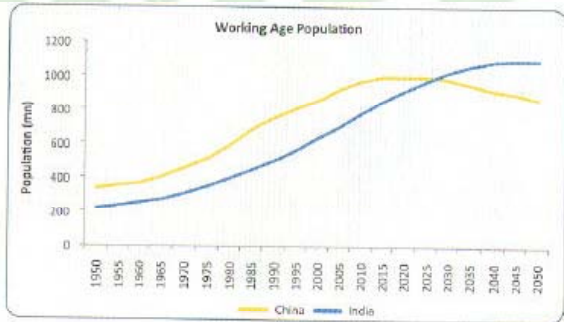
- India's third largest FMCG Company with interest in the HEALTH & WELLNESS platform spanning Health Care, Digestives, Hair Care, Skin Care, Oral Care, Home Care and Foods
- 2009 revenue of over USD 750 million with a market capitalization of over USD 3 billion
- Amongst top 20 "Best under a Billion" companies in India - Forbes magazine



DABUR'S HEALTH & WELLNESS PRODUCTS



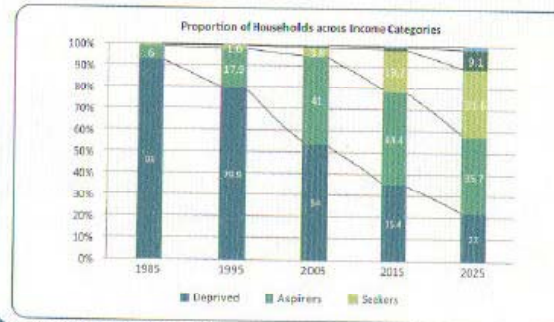
Dabur's Health and Wellness Products : Catering to the India Growth Story



Source: United Nations Population Division

Favourable Demographics

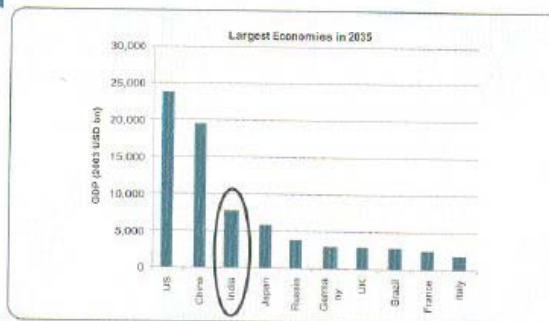
- Indian working age population to continue to rise over the next 25-30 years whereas it is declining globally
- India's working age population to increase to 69% by 2035 from 63% currently
- India to overtake China in terms of working age population by 2025



Source: McKinsey Bird of Gold, MGI

Rising Affluence

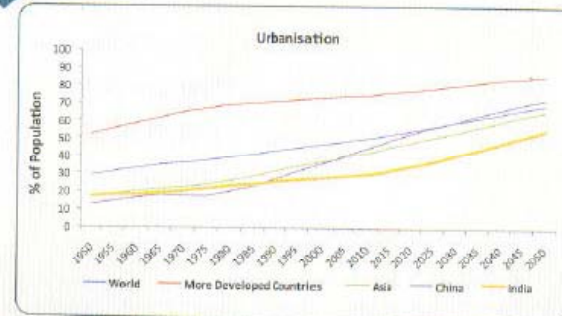
- Proportion of low income households is expected to decrease from 54% in 2005 to 22% by 2025



Source: Goldman Sachs BRICs model projections

Increasing Urbanisation

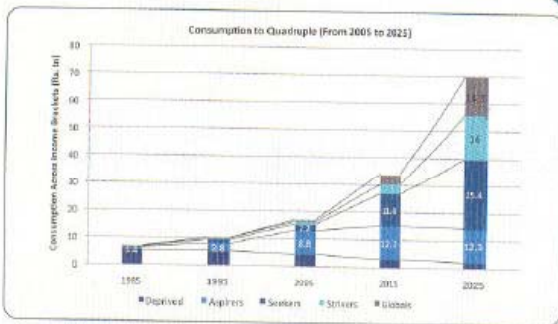
- Urbanisation level in India to increase from 29% currently to 45% by 2035
- Resulting in further nuclearisation of families



Source: United Nations Population Division

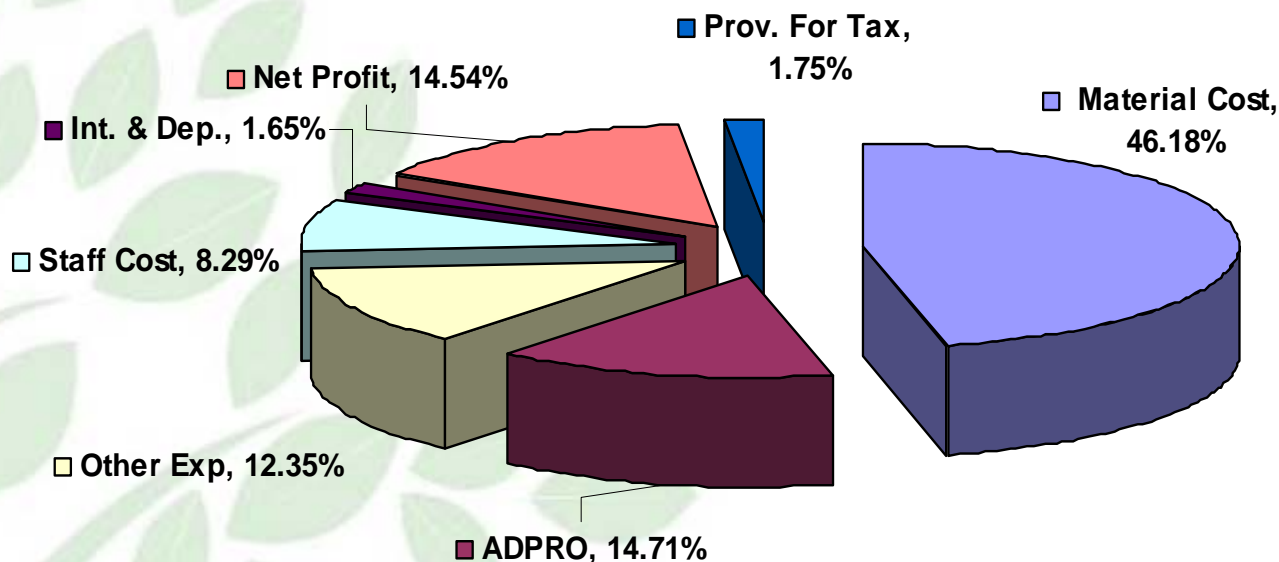
Expanding Consumption

- Consumption to quadruple
- Share of expenditure shifting to discretionary items, from necessities



Source: McKinsey - Bird of Gold, MGI

Sourcing & Dabur



- *A spend of ~1600 crores, across 29 mfg locations in 6 countries*
- *Sourcing from nearly 27 countries and 25 states of India*
- *Over 700 commodities and 3000 items of packaging*
- *A competitive scenario in the market place makes it imperative for efficient sourcing*

Deriving Strategic advantage thru Buying



OBJECTIVE

To provide the lowest cost at acceptable quality and service levels while ensuring Corporate governance practices



STRATEGY

To gain business competitive advantage by outperforming the competition

PRINCIPAL AGRO-COMMODITIES



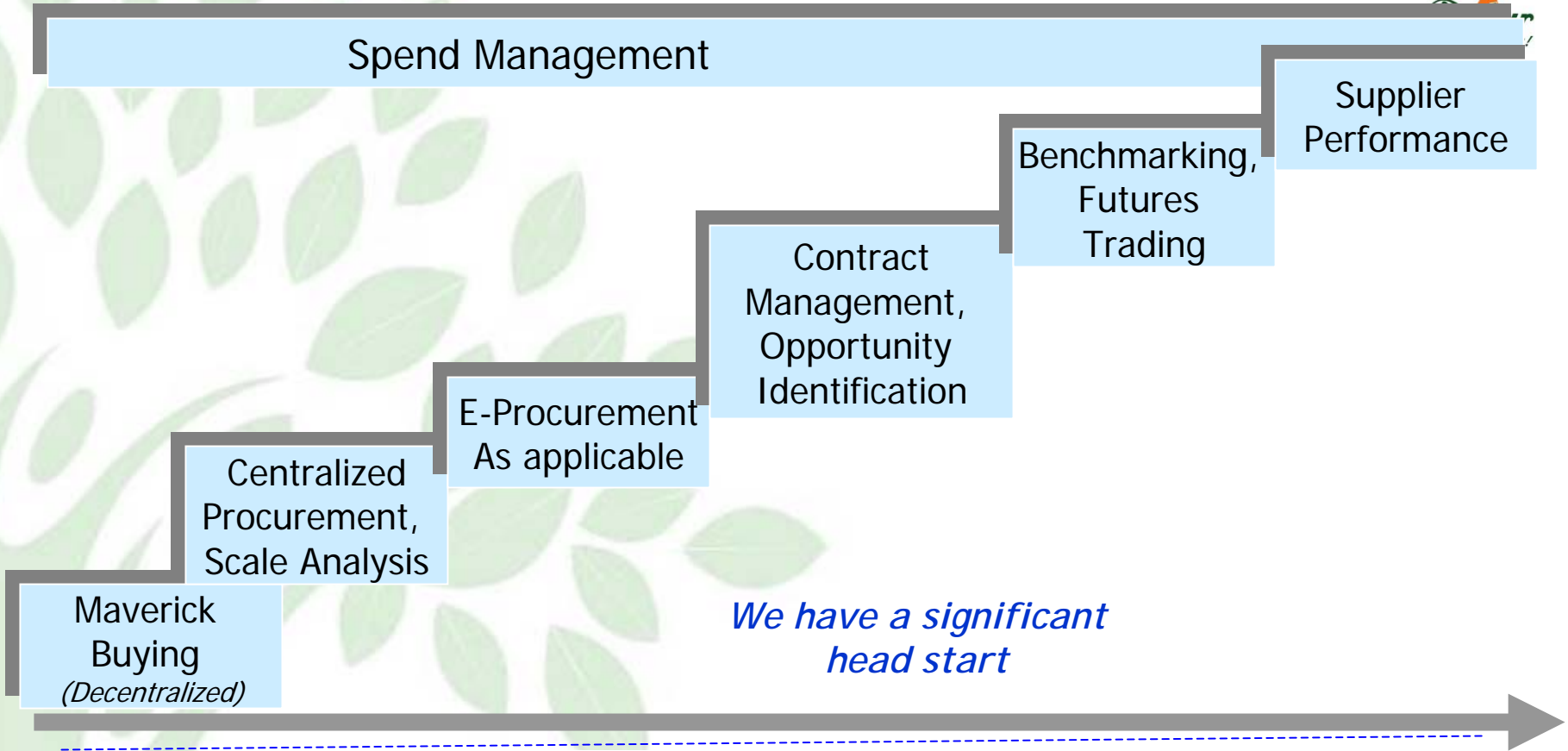
- Vegetable oil Complex (Oilseed/Oil/Oilcake)
- Sugar Complex (Sugar/Gur/Molasses)
- Grains Complex – Maize derivatives/Barley Malt
- Spices Complex
- Herbs Complex
- Fruit complex (Fruits/Fruit Juices/Concentrates)
- Milk complex (Skim Milk Powder/Ghee)
- Essential oils Complex (Mentha oil chain)
- Honey
- Forest produce - Amla
- Psyllium Husk

NON – AGRICULTURAL COMMODITIES

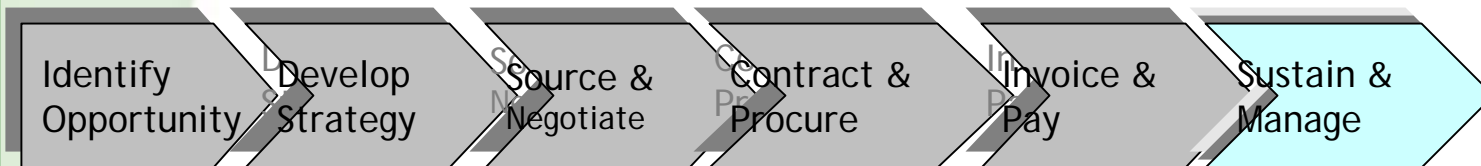
- Mineral oil (Petro based) complex – LLP
- Precious Metals (Gold/Silver)
- Chemicals Complex

In all, about 700 commodities, which is the MOST DIVERSE non-trader procurement in the world

Strategic Roadmap Of Procurement



Dabur Timeline

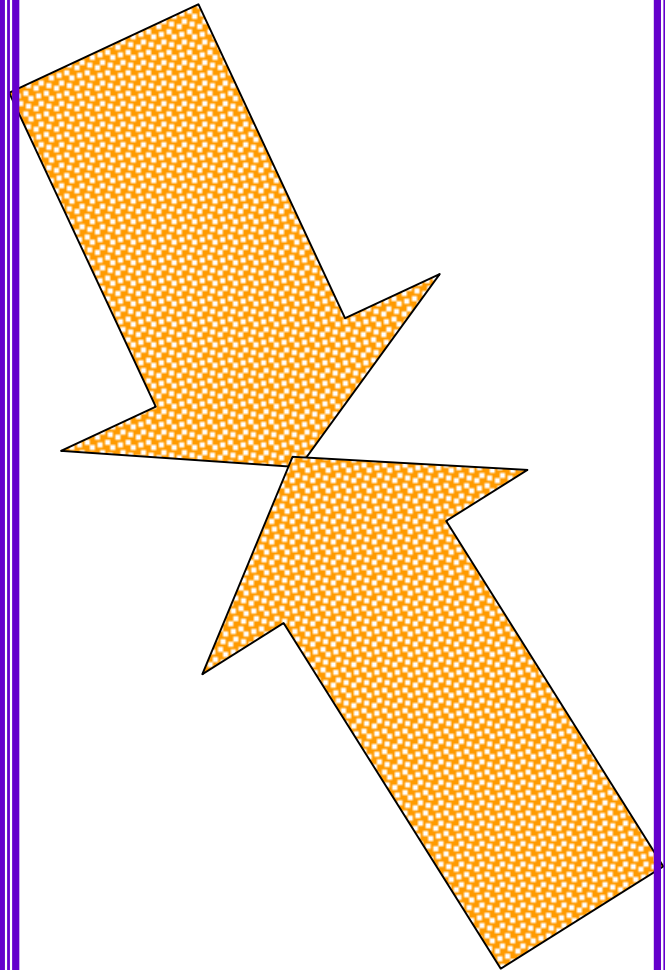
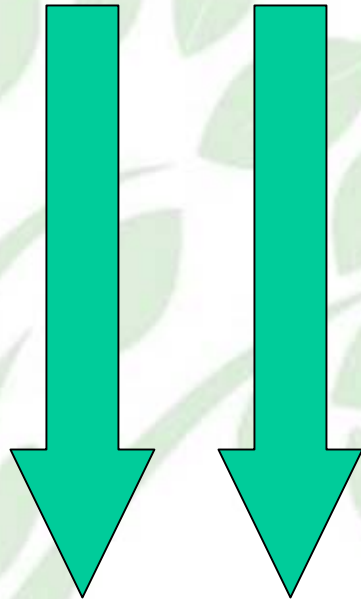


- Active Cost management
- Benchmarking
- Dynamic Positions

A top-down view of a variety of Indian spices. The image shows several distinct piles: almonds in the top left, cardamom pods in the top center, turmeric roots in the bottom left, ginger roots in the bottom center, and garlic bulbs in the bottom right. Other spices like fennel seeds and mustard seeds are visible in the background. A blue banner with white text is overlaid in the center.

INDIAN SPICES: A DIVERSIFIED USAGE SPECTRUM

Health & Wellness: Leveraging the Changing Healthcare Scenario



A Glance at Industrial Applications of Spices



Food Processing:

Oleoresins

Powdered Spices

Pharmaceuticals:

Ayurvedic/Herbal

Powdered Spices

Pharmacopoeial

Essential Oils

Nutraceutical

Oleoresins

Extracts

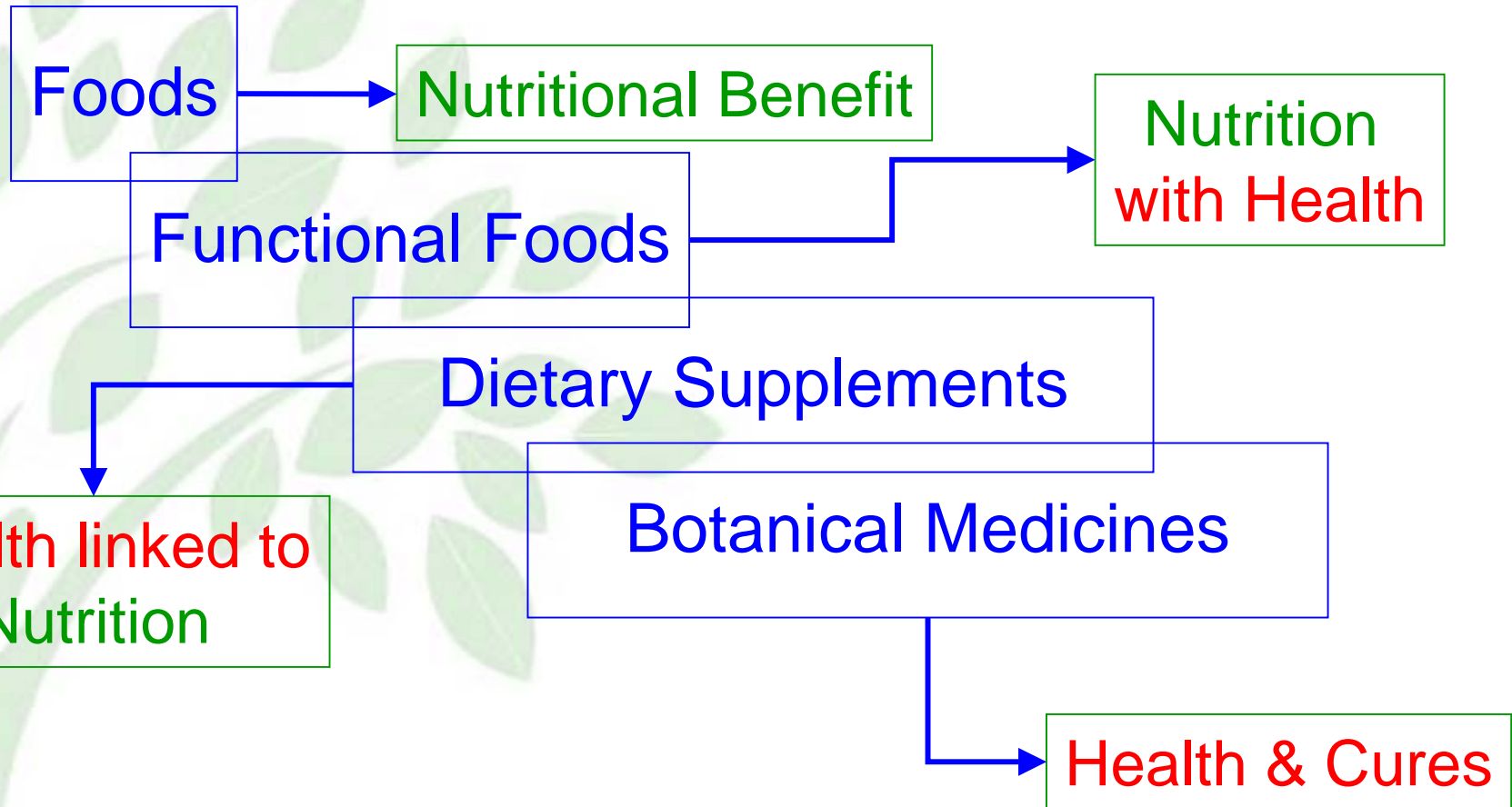
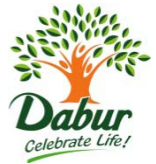
Powdered Spices

Spices in Ayurvedic Formulations



- The Etymology : Ayu = The life ; Veda : The Science
- The Objectives : Preservation of Health in Healthy & Alleviation of Disease in Sick
- Widely Prevalent Usage in
 - Awalehas - Chyawanprash, Agastya hareetaki etc.
 - Asava & Arishtas like Dashmularishta, Balarishta
 - Churnas: Mainly meant for digestive disturbances
- Consumption of Spices by Ayurvedic Industry for their Medicinal Value
 - Garlic(*Allium sativum* Linn.), Celery(*Apium graveolens* Linn.), Cumin(*Cuminum cyminum* Linn.), Turmeric(*Curcuma longa* Linn.), Kalimirch(*Piper nigrum* Linn.), Ginger(*Zingiber officinale* Roscoe), Cardamom, Cloves, Cinnamon
- Growth in Ayurvedic Industry leading growth in consumption of Spices

Nutraceuticals: At a Glance



The Nutraceutical Market Jargon



Meal Supplements

Natural & Organic Foods

Dietary Supplements

Vitamin/Mineral Supplements

Herbal Supplements



Functional Foods

Specialty Nutrition

Para Medicines

Cosmeceuticals

Biologically Active Supplements

Pharmacological Spectrum of Spices



Digestive effects

- D Anti emetic
- D Laxative
- D Anti diarrhoeal
- D Anti-flatulant
- D Vermifuge
- D Digestive
- D Carminative

Systemic effects

- D Anti-microbial
- D Hypoglycaemic
- D Cardioprotective
- D Antipruritic
- D Cytoprotective
- D Anti inflammatory
- D Anti oxidant
- D Antihyperlipidaemic
- D Bio-availability Enhancer

Opportunities

- Growing enthusiasm towards Alternate Medicines
- The Thinning lines Between Foods & Drugs
- Emerging Nutraceuticals & Cosmeceuticals
- To tap these opportunities and Create 'new' demand :
 - Use documented Leads in Traditional Medicines
 - Use Emerging Scientific Evidence
 - Proven Track Record in Up-markets will help reduce dosage and create 'super-use'
 - Ginger standardized to Gingerol & shagaols and Garlic standardized to Allicin
 - Further define the Markets of Herbal Dietary Supplements
 - Eg :Ginger for treatment of arthritis and travel sickness
 - Forward Movement in Statutory Ladder
 - Safety studies

PRODUCT CHALLENGES



- Capturing Leads from Traditional (Ayurvedic) sources
- Focus on Biological Activity in Agro-biotechnology Research
- Bridge Gaps in Post-Harvest Technologies to maintain value
- Development & Commercialization of Value Added Products with Sustainable Claims
 - Use less and Get more – reduce bulk & secure same value
- Conservation of Biological & Intellectual Diversity
- Some of the above can become Threats if not responded to

MARKET CHALLENGES

- Global growth recovery sustenance or double-dip recession ?
- Movement of the US dollar – How much will it depreciate ?
- Rising Food Inflation reduces food basket diversity
- Producing to feed the rising population
- Competition for land resources
- Inconsistent weather patterns

Why Did Vasco Da Gama Come to India?



Braving turbulent Seas,
The Portuguese navigator,
Anchored at Calicut,
A tiny port at the Arabian Sea.

What Propelled him to undertake the hazardous journey?

THE INDIAN SPICES

Thanks