



# Indian Dairy industry: FTA Challenges

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# **World Dairy Scenario**

# World Dairy Industry

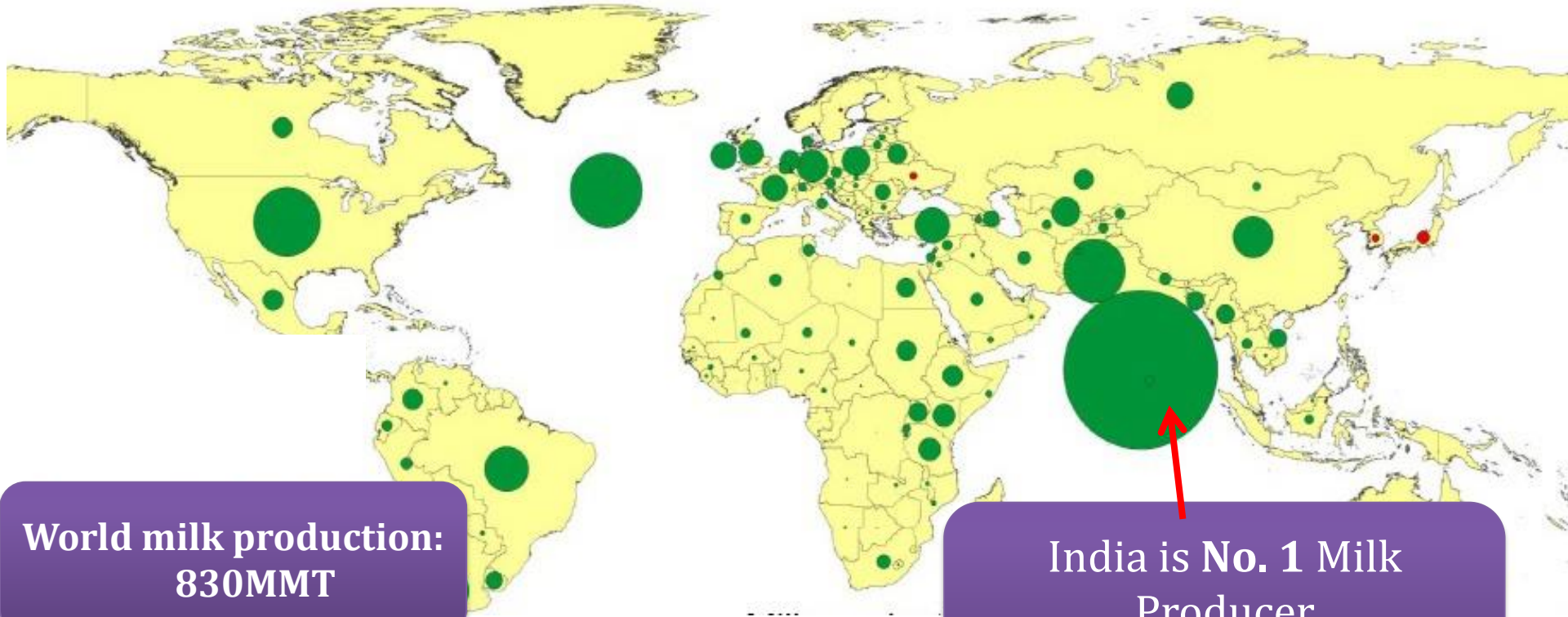
**7.7 billion  
consumers**

**Provides livelihood to 1 billion  
through Dairy Farming**

**Projected Milk Production in  
Current Yr: 830 Million Metric  
Tonne/year**

**390 billion ltrs of milk is processed  
across the globe**

# World Milk Production



**World milk production:  
830MMT**

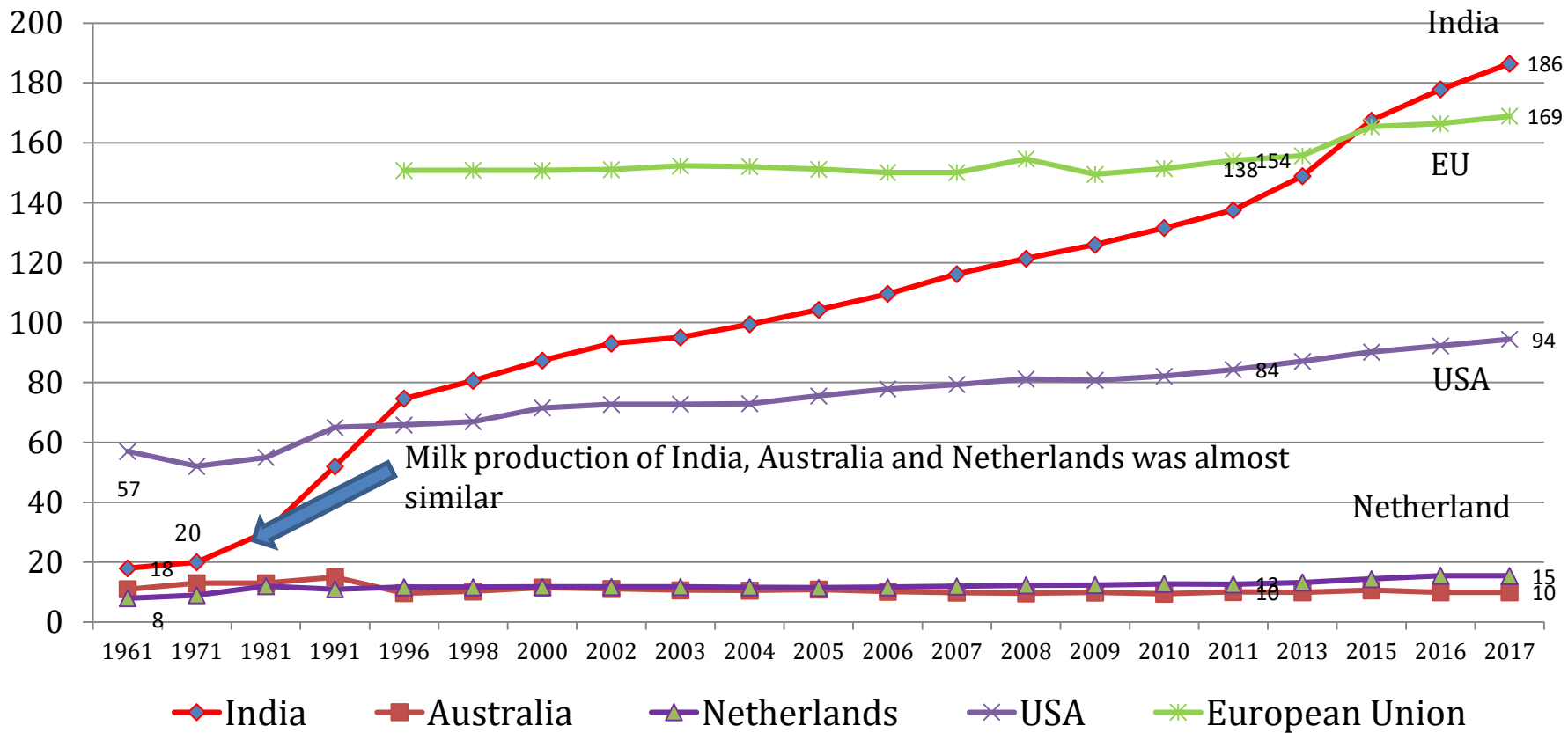
**India is No. 1 Milk  
Producer  
180 MMT (20% of world)**

Source: FAO

# Milk production status since last 60 years

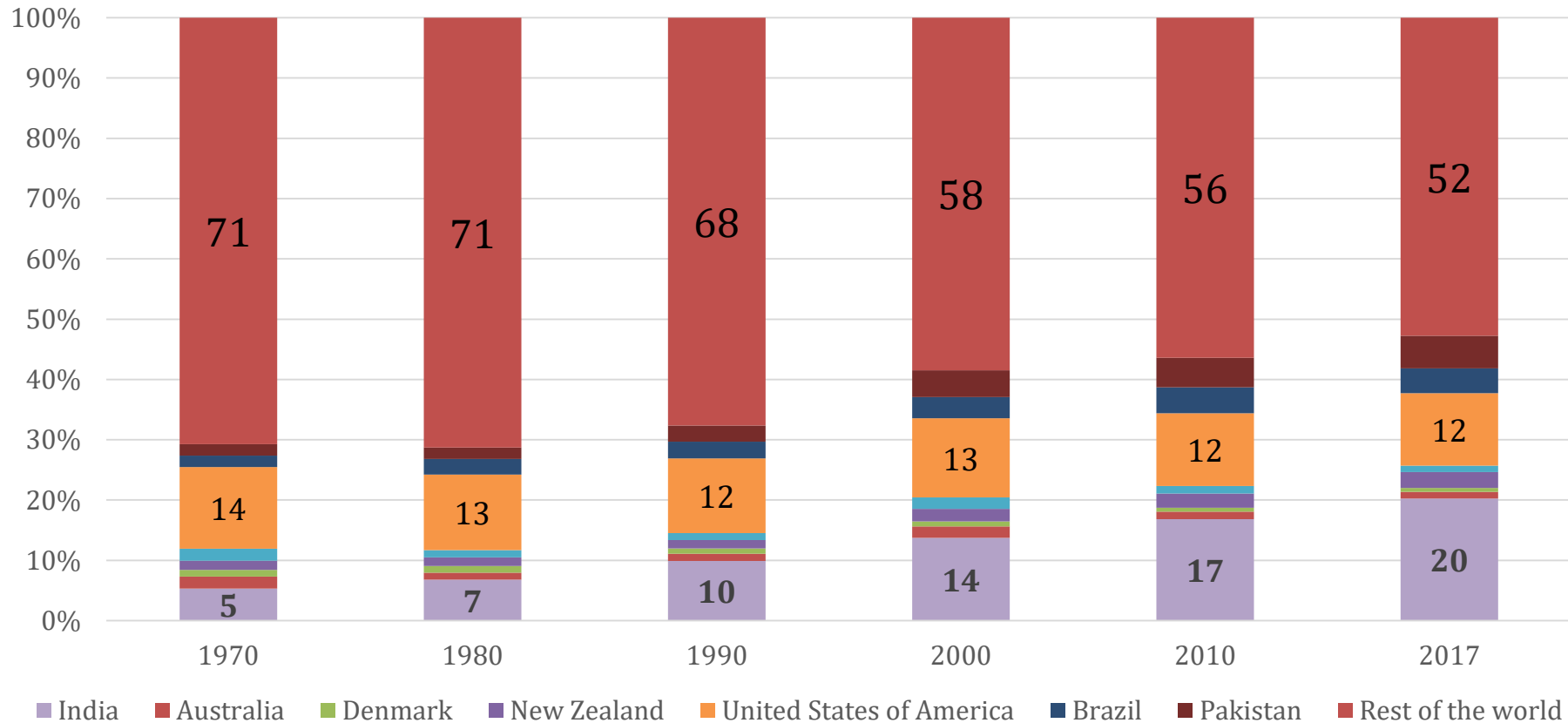
In MMT/year

CAGR India: 4.5%, USA: 1.8%, EU : 1.3%, AUS: 1.3% and Netherland: 2.7%



Source: FAO

# % Contribution by country in world milk production



Source: FAO

# Comparison with major countries

INDIA



EUROPE



USA



Milk Production  
(MMT per year)

176 MMT

168 MMT

95 MMT

Milk Solids (MMT per year)

192 MMT

159 MMT

89 MMT

1

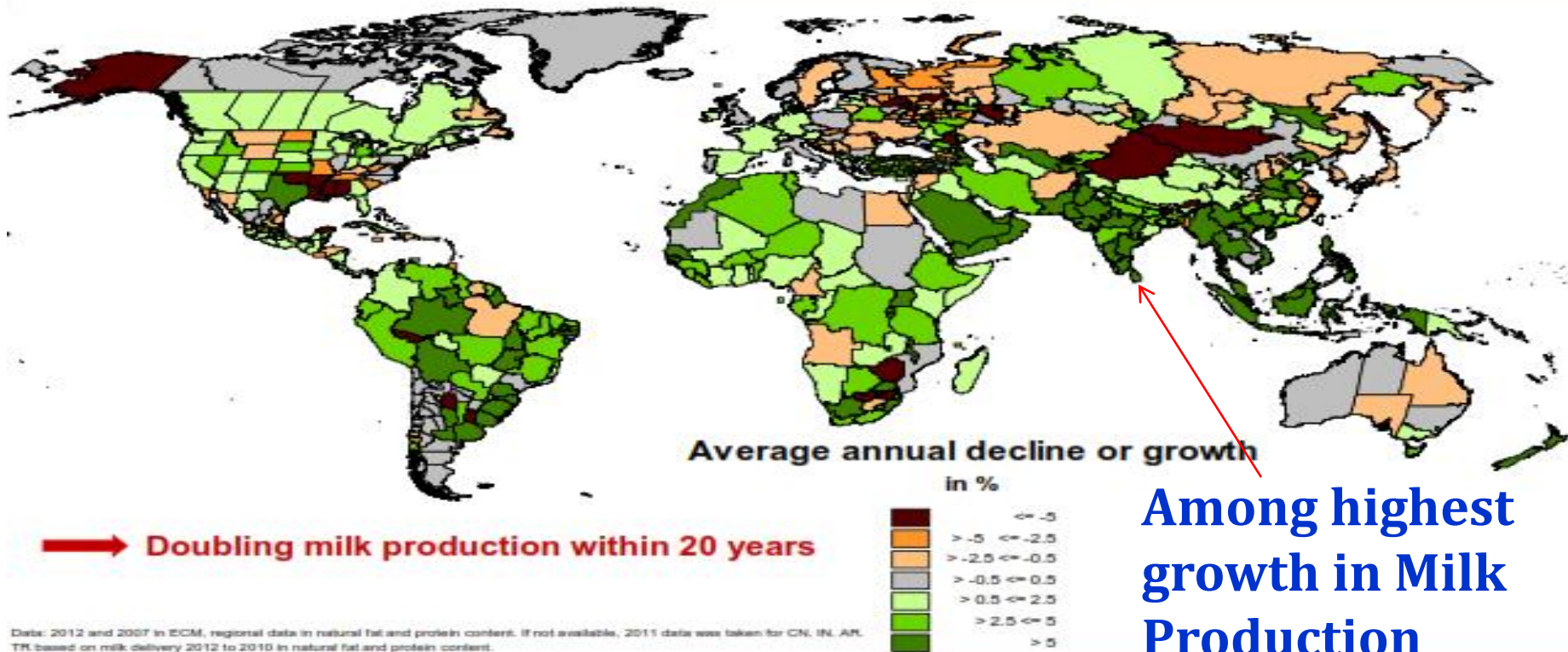
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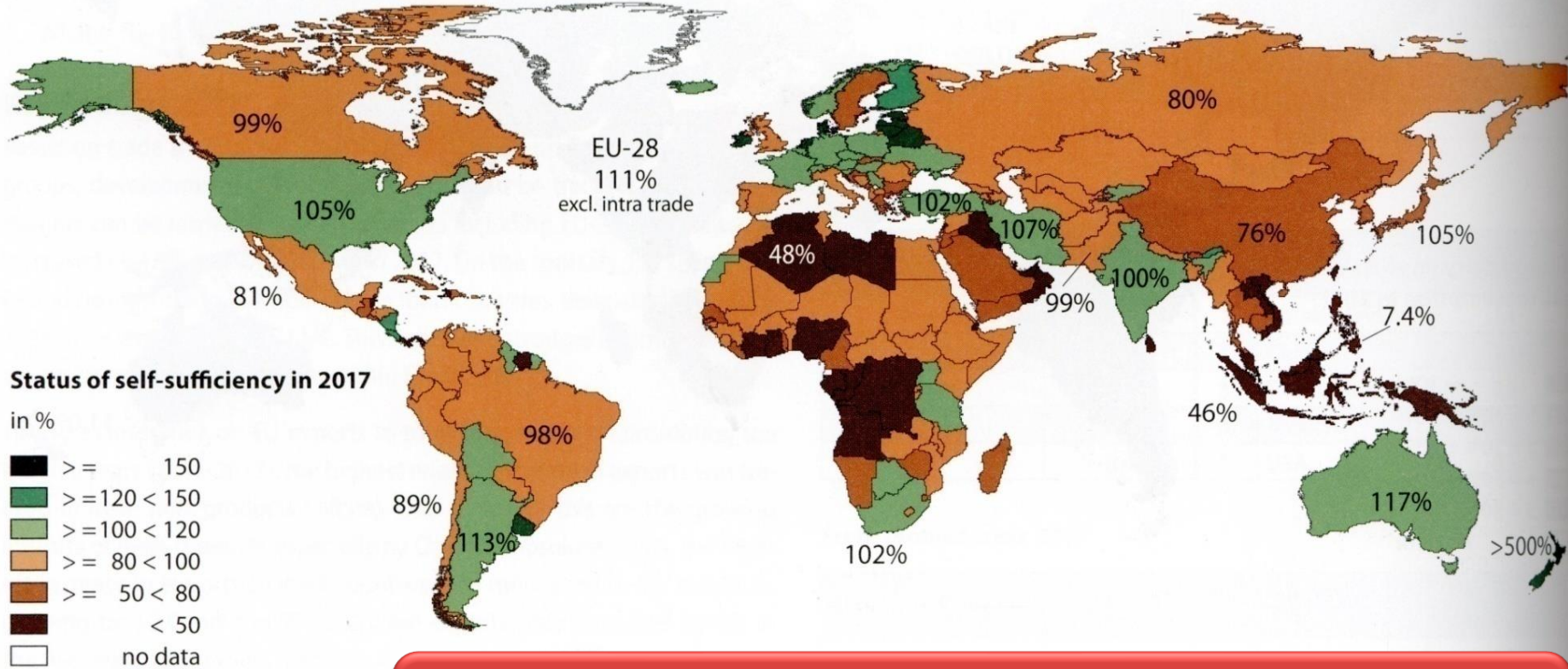
Source: IFCN



# Growth in Milk Production : Last 5 years



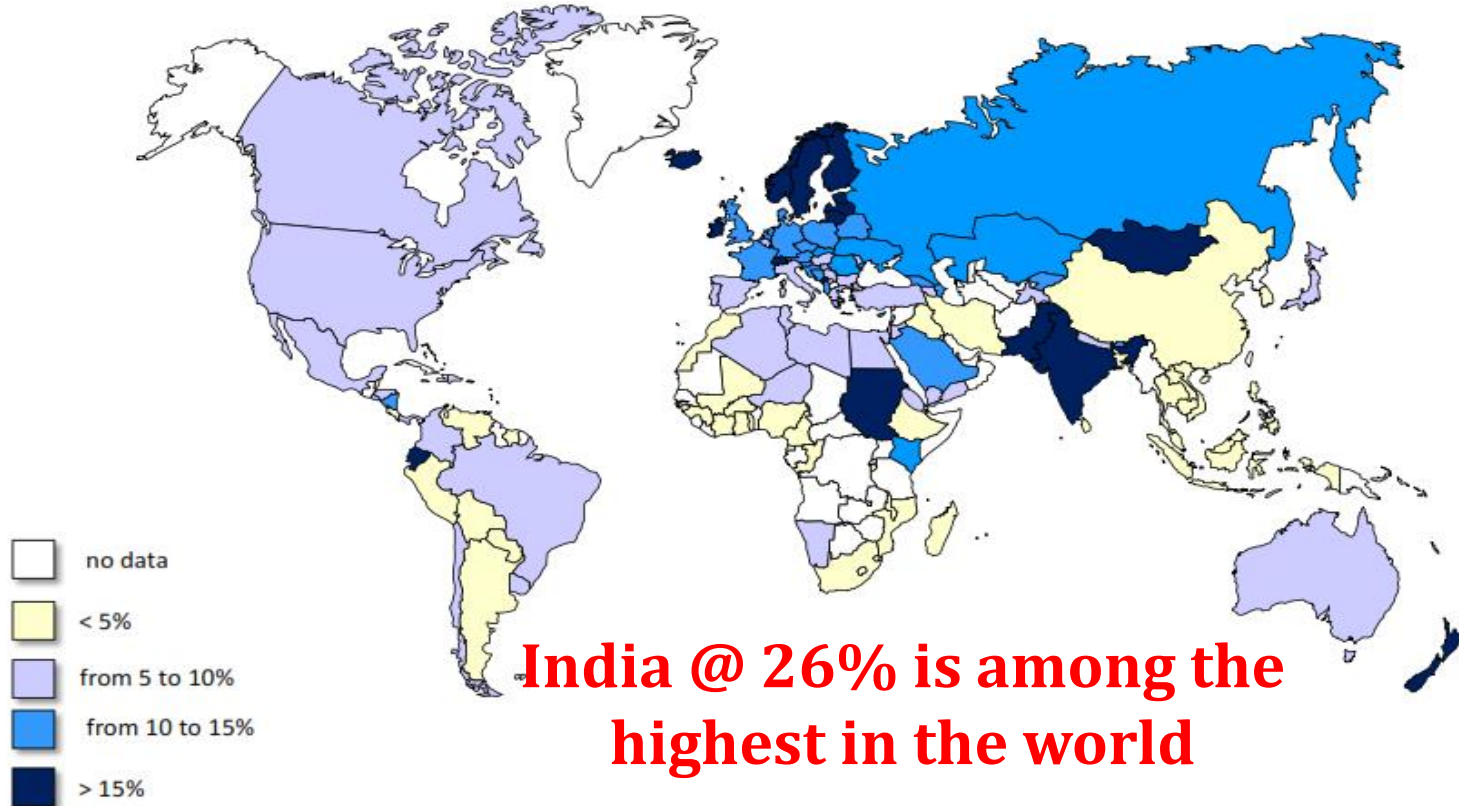
# Status of self sufficiency for milk 2017



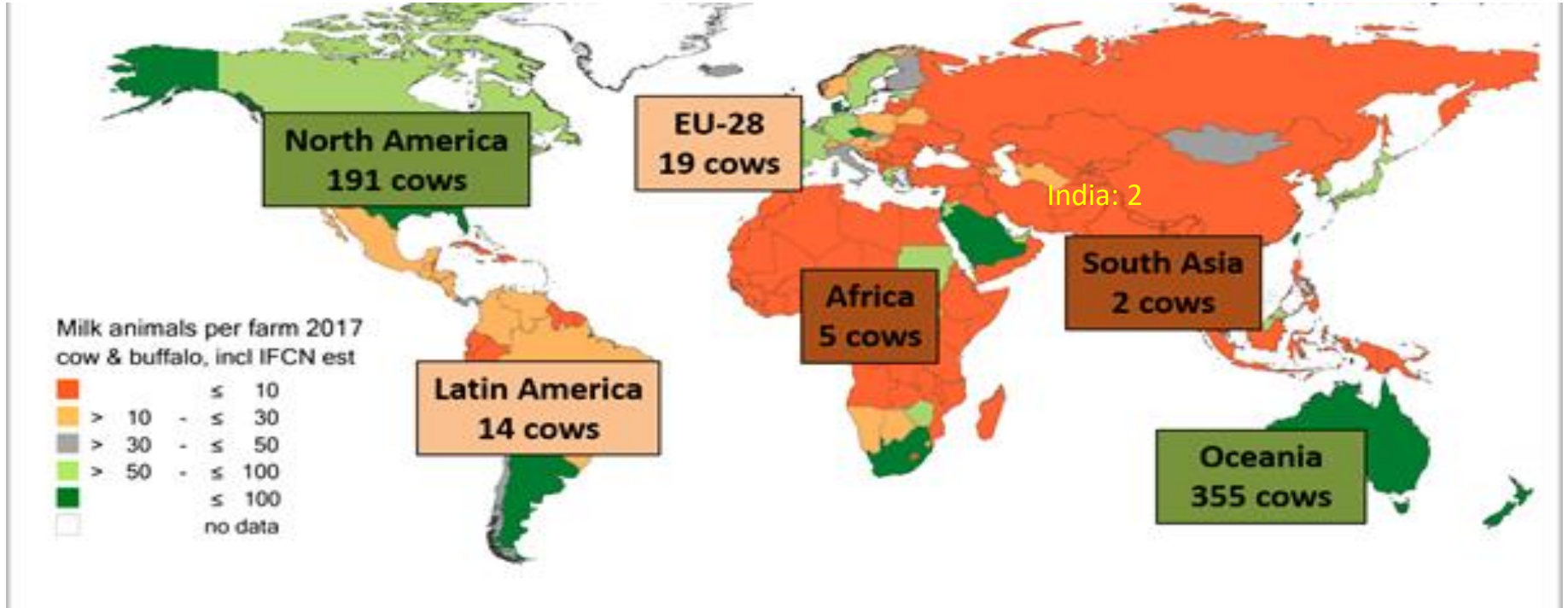
India is 100% self sufficient in Milk consumption.

- Huge potential for export in neighboring milk deficit nations

# **% Share of Dairy sector in total Agricultural Production**



# Average dairy farms

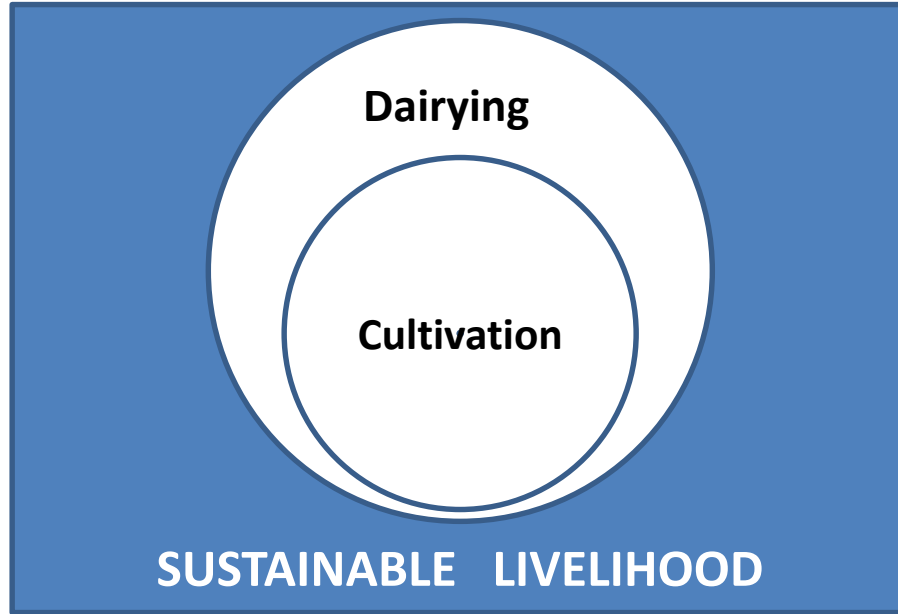


# **Indian Dairy Scenario**

# **Indian Agriculture Scenario**

- **Agriculture: 18% contribution to GDP and employment to 60% of population**
- **Livestock sector-Largest contributor to Agriculture GDP ( ~ 30%)**
- **Milk is the largest 'Agricultural Crop' of India (INR 7 Lakh crores per year)**
- **Dairy is a supplementary source of income for >100 million families**

70% of rural households have less than one hectare of land



Research studies have reported reduction in rural poverty being more responsive to growth in the livestock sector than growth in the crop sector

## Average farm household income (Rs. /month)

Particulars	Amount in Rs.	% of Income	% CAGR growth in income from Various sources during 2003 to 2013
Cultivation	3078	48	3.7
<b>Livestock</b>	<b>765</b>	<b>12</b>	<b>14.3</b>
Wages/Salary	2069	32	1.4
Non-Farm Business	514	8	-0.1
<b>Total farmers income</b>	<b>6426</b>	<b>100</b>	<b>3.4</b>

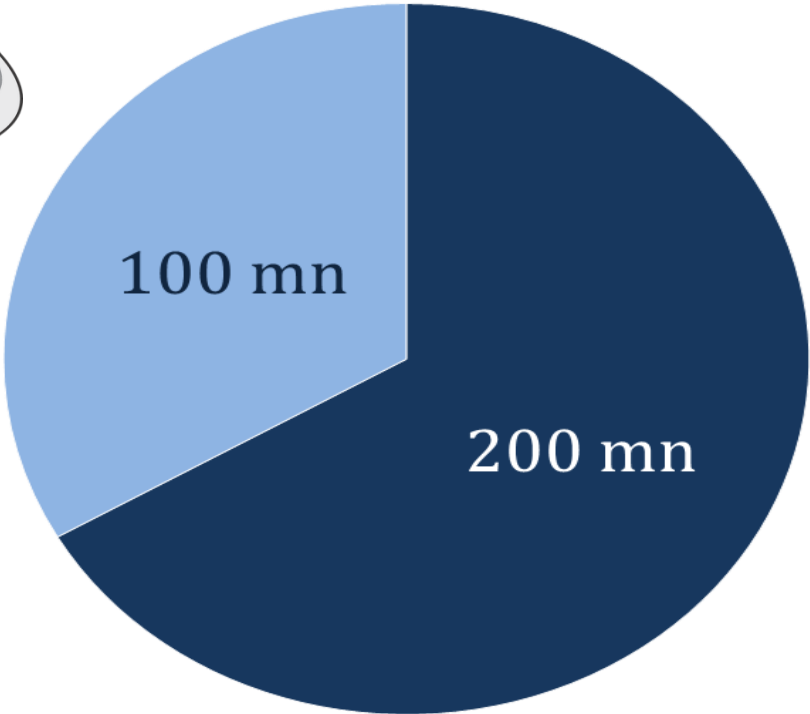
In recent years, maximum growth in rural income has been from Livestock sector



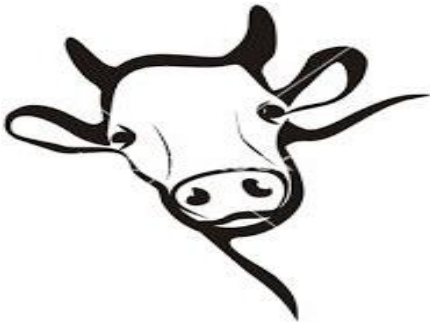
# Largest Bovine Population in the world : 300 Million



**55%**  
of total milk  
production  
(97 MMT)



**45%**  
of total milk  
production  
(79 MMT)

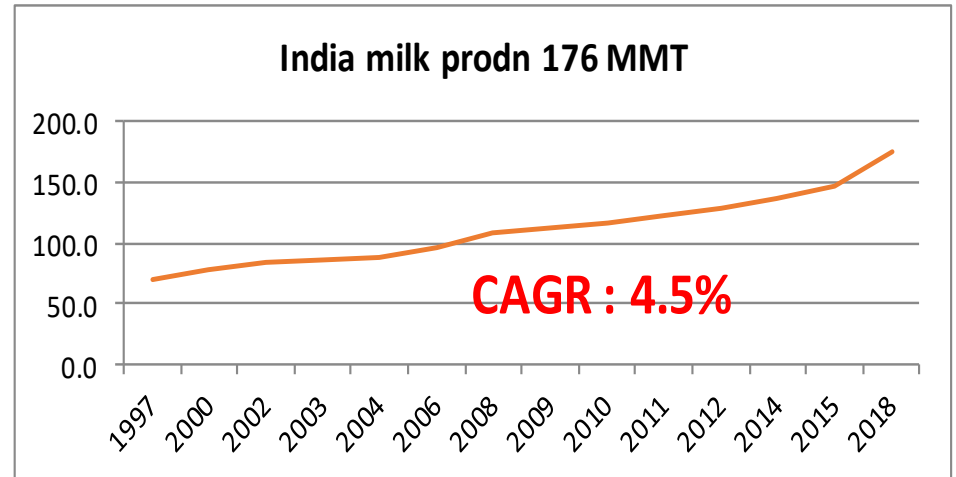
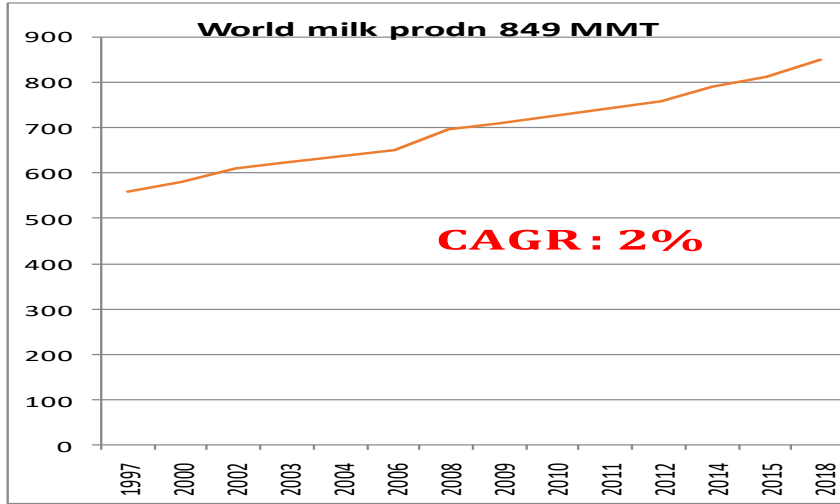


# **India: Small holder system**

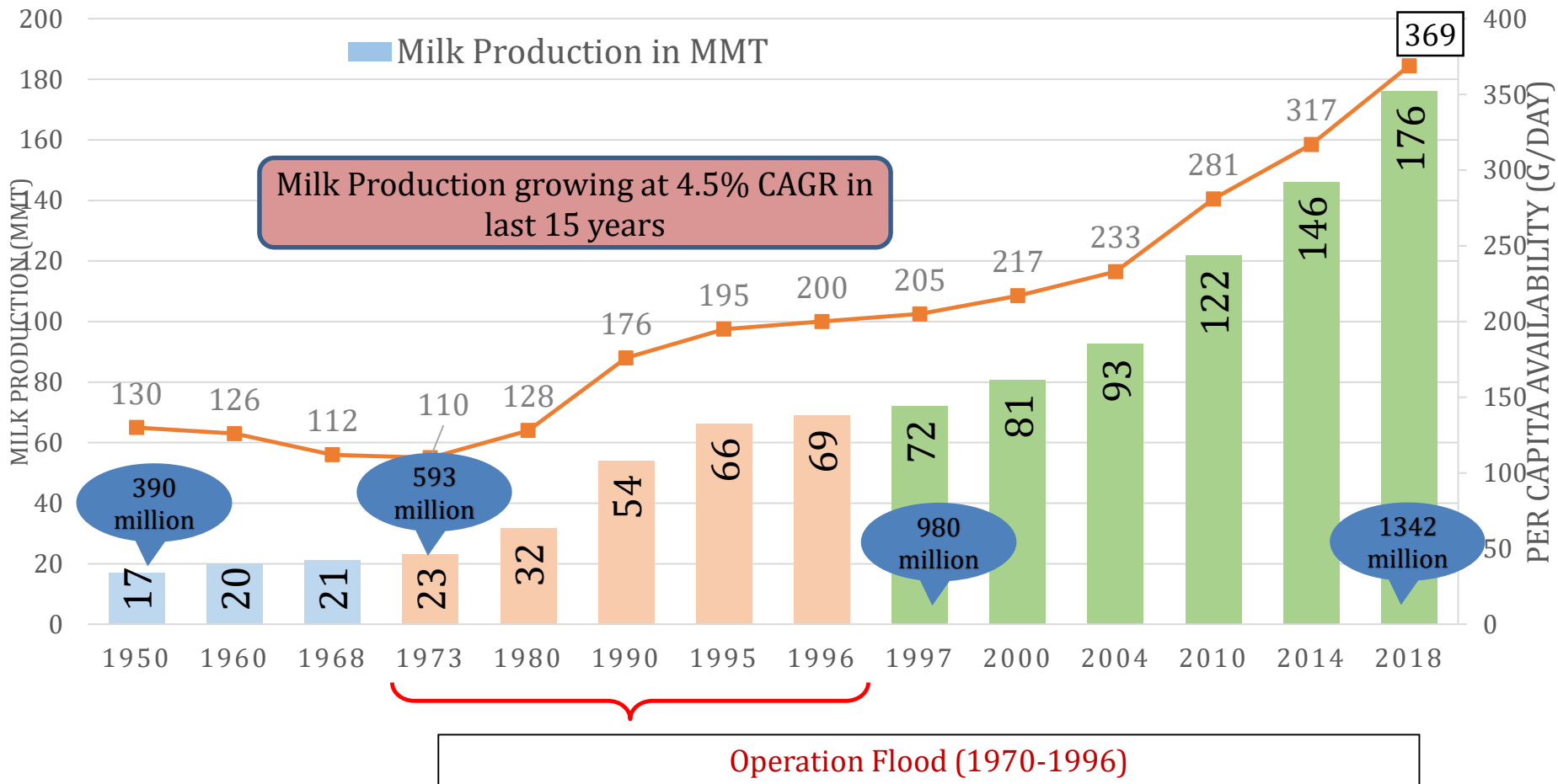
**10 crores rural Households in India depend on dairying for livelihood.**

**77% Milk Production by small, marginal and landless farmers**

# World & India Milk Production



# Milk Production: Total & Per Capita



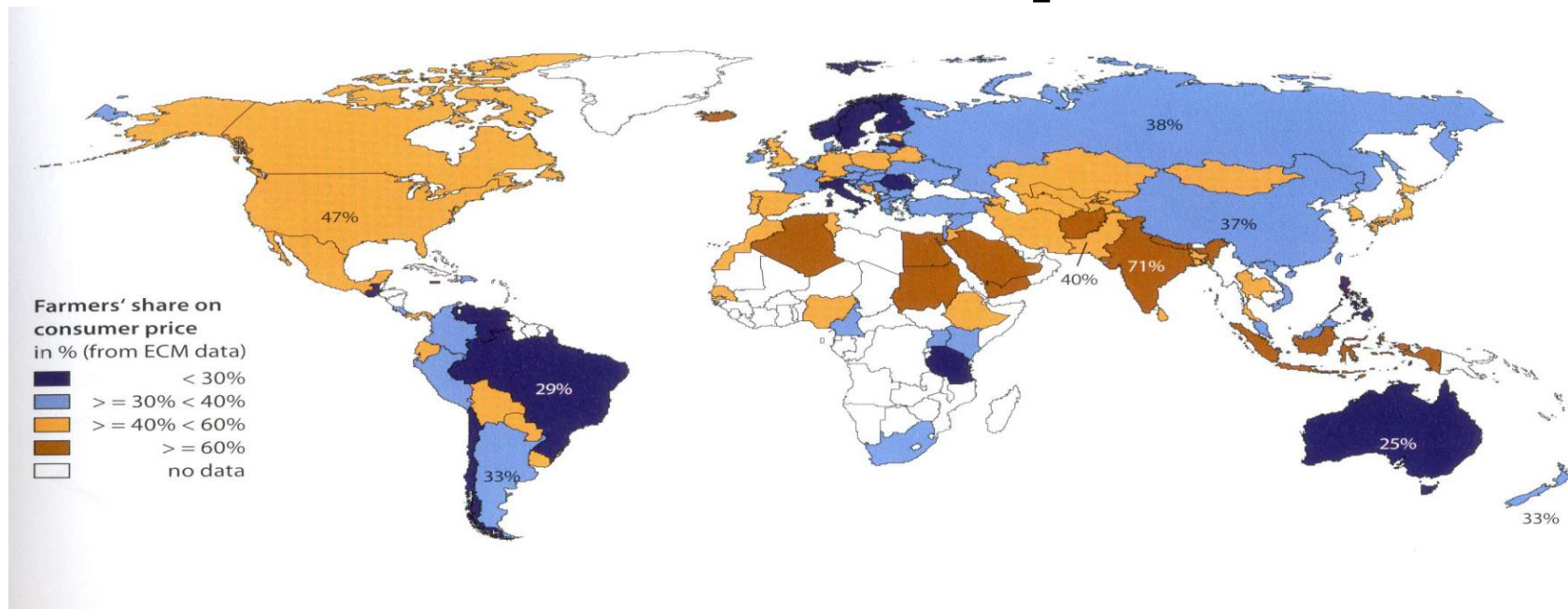
# India's Milk Production Situation and Future

All data MMT/year

Year	Past		Present		Future
	2000	+18 Years	2018	+15 Years	2033
World	560	270	830	247	1067
India	80	100	180	150	330
% Contribution by India	14		20		31

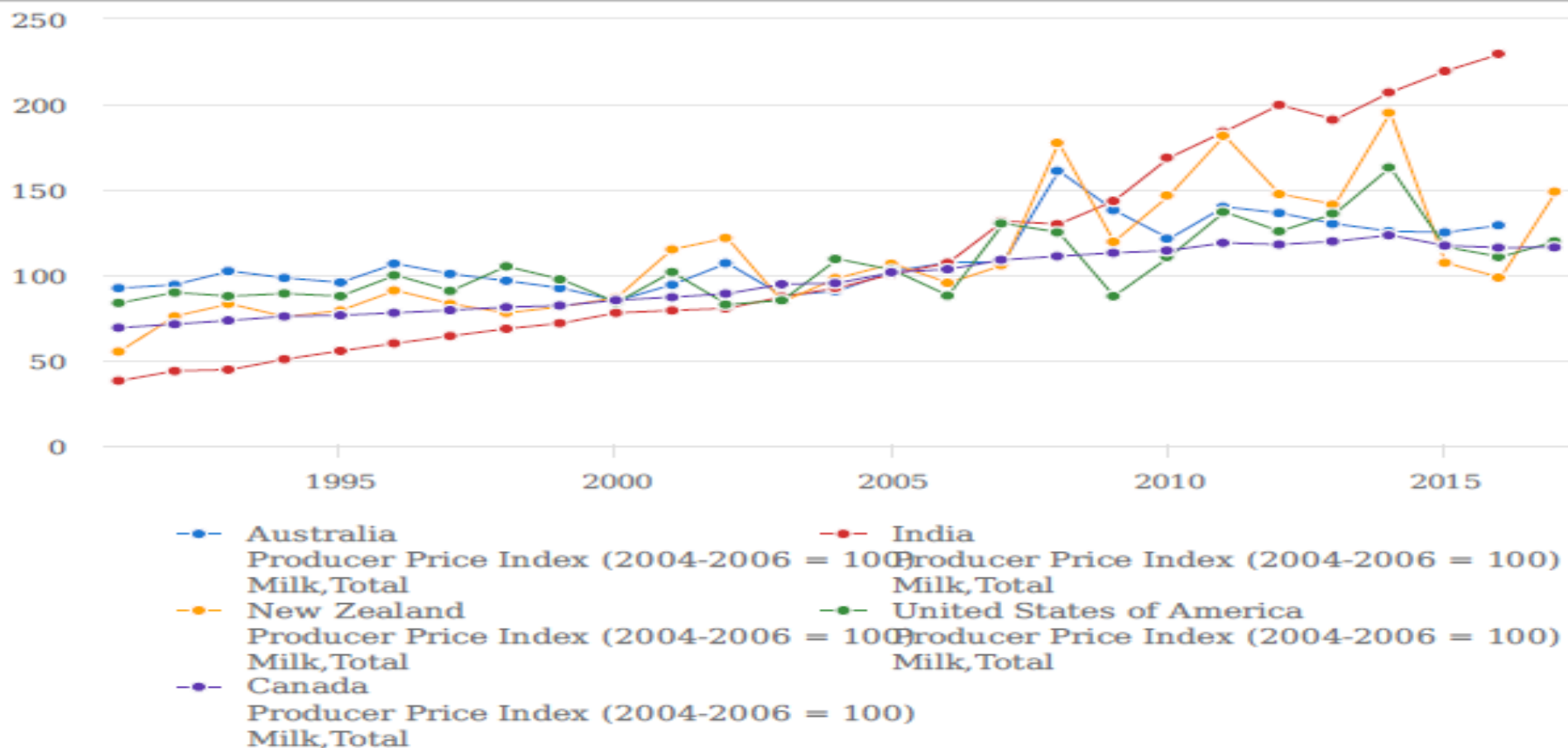
# Competitiveness of Indian dairy products

- Farmer's share in consumer price :



**Indian Farmer has the highest share of consumer price**

# Continuous higher price received by Indian farmers



# **Dairy Cooperative ensures that 80% - 86% of consumer's rupee goes back to its dairy farmers**

## **India**

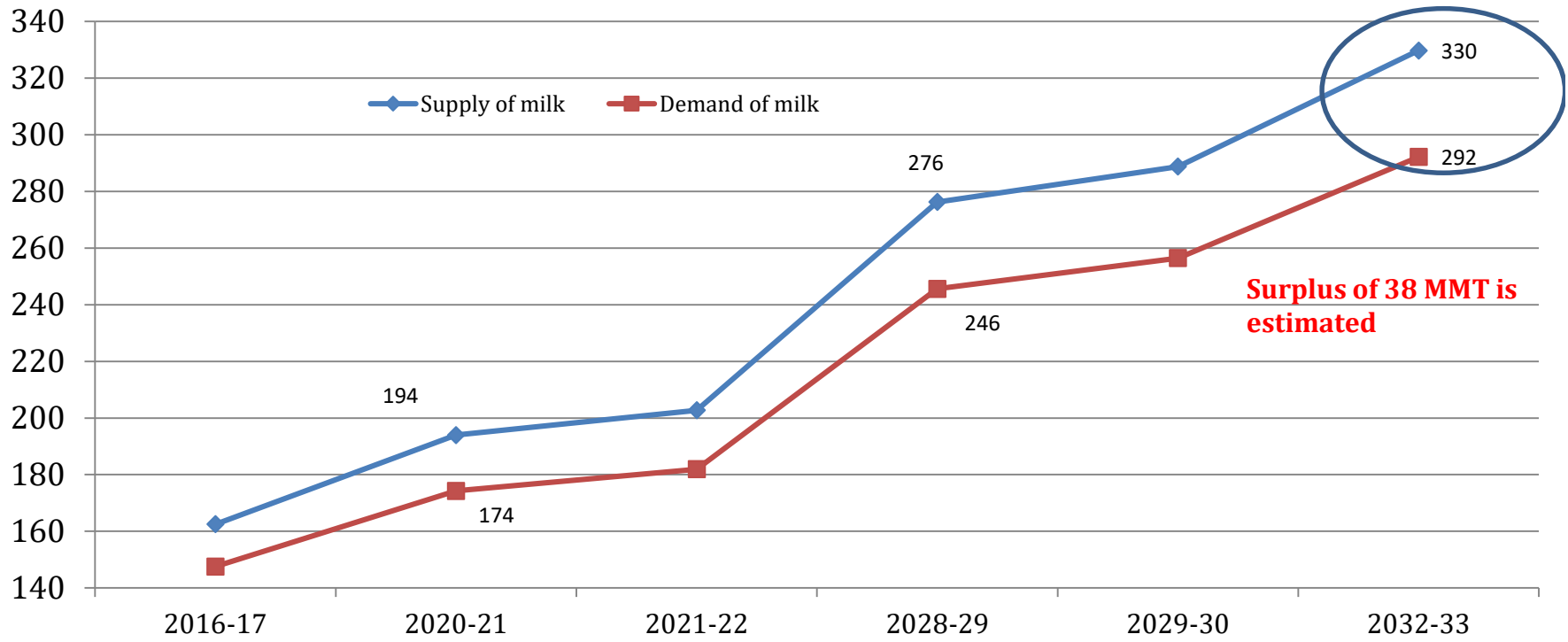
**Indian dairy cooperatives ensure that their farmers get 71 to 75% of Consumers Rupee spent on Milk & Milk Products**

## **NZ, AUS and EU**

**In NZ, producers get 30 % of consumers' money spent on Milk and Milk products while in the Australia and in EU, producers get only 27% and 40% respectively.**

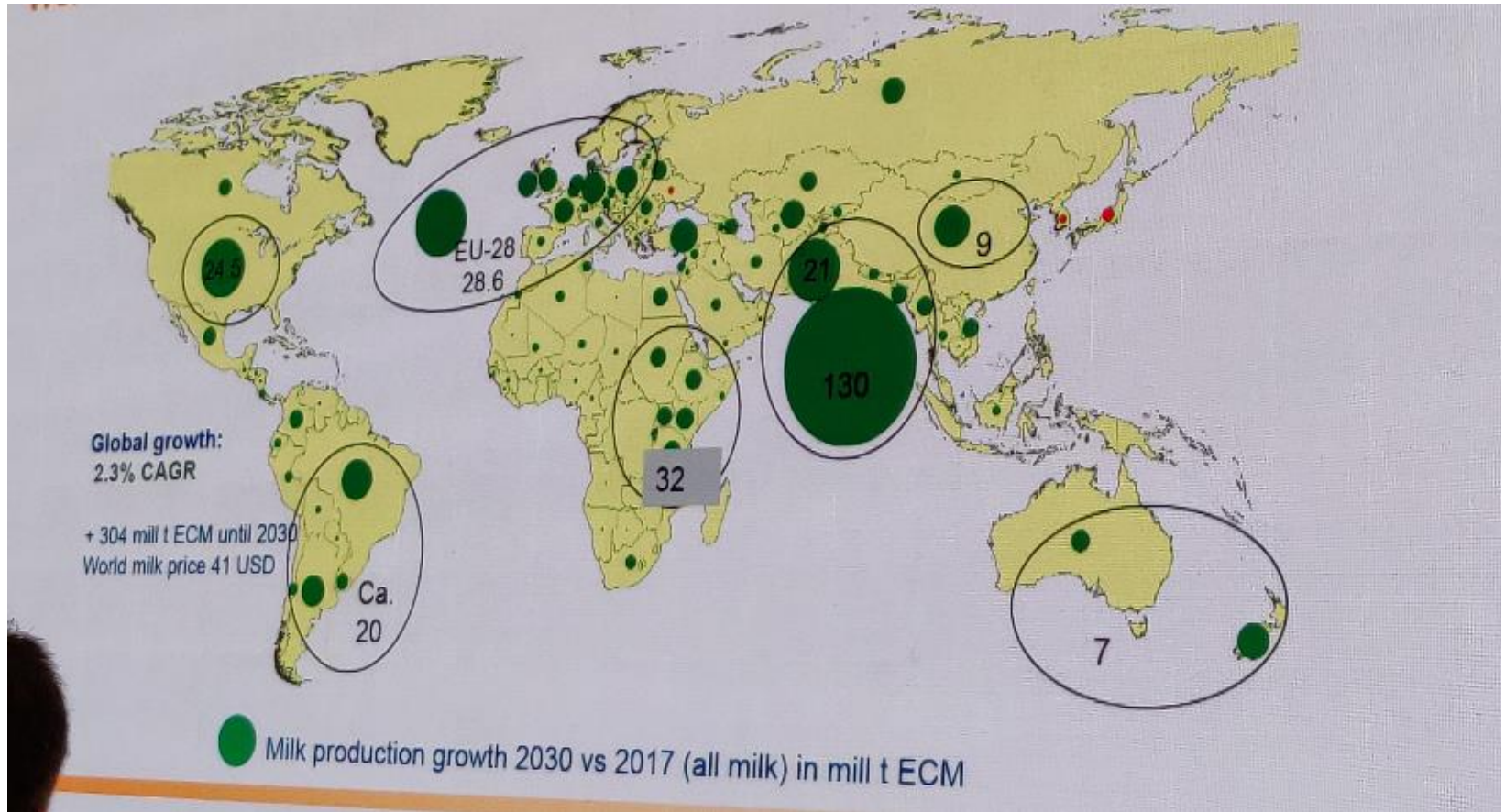


# Supply and demand estimates as per NITI Aayog report



Source: NITI Aayog's Working Group Report (Feb 2018) on Demand and Supply Projections towards 2033 for Crops, livestock, Fisheries and Agricultural Inputs indicates

# World milk production estimate



# FTA Challenges

# Dairy Scenario in NZ – Over Producer of Milk

Item	New Zealand	India
Population	42 Lac	130 crore
Milk Production	22 MMT	180 MMT
Agriculture labour	3 Lac (7% of pop)	62 crore (52% of pop)
Dairy farmer	10,000	10 crore
Average farm size	419	1.8
Number of milch animals	50 Lac	131 million
Milk Yield (Lit per day)	13 LPD	3.5 LPD
GDP (PPP)	US \$ 189 billion	US \$ 5 trillion
Per Capita Income	US \$ 39,000	US\$ 7,200
GDP from Agri	5.7%	17.4%
% of dairy product exported	<b>93% (20.5 MMT ECM exports)</b>	Negligible
% Farmers' share on consumer price	30%	71%

# Dairy Scenario in Australia – Over Producer of Milk

Item	Australia	India
Population	2.3 crore	130 crore
Milk Production	9 MMT	180 MMT
Agriculture labour	8 Lac (3.6% of pop)	62 crore (52% of pop)
Dairy farmer	6,300	10 crore
Average farm size	283	1.8
Number of milch animals	17 Lac	131 million
Milk Yield (Lit per day)	16 LPD	3.5 LPD
GDP (PPP)	US \$ 1.25 trillion	US \$ 5 trillion
Per Capita Income	US \$ 50,400	US\$ 7,200
GDP from Agri	3.6%	17.4%
% of dairy product exported	<b>25% (2.2 MMT ECM exports)</b>	Negligible
% Farmers' share on consumer price	27%	71%

# Dairy Scenario in EU – Over Producer of Milk

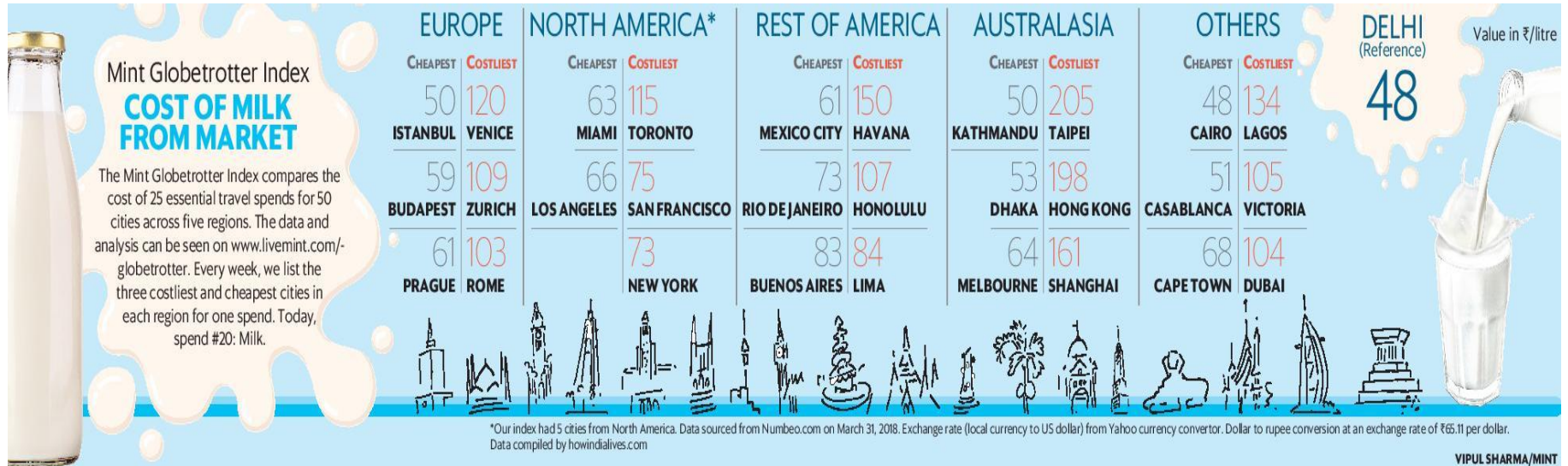
Item	EU - 28	India
Population	51 crore	130 crore
Milk Production	166 MMT	180 MMT
Agriculture labour	80 Lac (1.6% of pop)	62 crore (52% of pop)
Dairy farmer	12.7 Lac	10 crore
Average farm size	19	1.8
Number of milch animals	23 million	131 million
Milk Yield (Lit per day)	19.5 LPD	3.5 LPD
GDP (PPP)	US \$ 20.85 trillion	US \$ 5 trillion
Per Capita Income	US \$ 40,900	US\$ 7,200
GDP from Agri	1.6%	17.4%
% of dairy product exported	<b>10% (15.8 MMT ECM exports)</b>	Negligible
% Farmers' share on consumer price	40%	71%

# Impact of 5% of NZ Current export to India

Product	India Market Size (MT)	NZ current Export (MT)	Import from NZ (MT)	% of market
SMP	300000	440000	22000	7%
WMP	12000	1400000	70000	583%
Total Powder	312000	1840000	92000	29%
Cheese	40000	320000	16000	40%
Butter / AMF	120000	500000	25000	21%
Total	472000	2660000	133000	28%

# Value Added Product

- The price of milk in Auckland is 2.5 times that of Delhi.
- Milk in Delhi is the most economical





# Value Added Product

- Developed world want to dump their surpluses in India
- And want lower duties to compensate their high cost
- With improving economy and increase in purchasing power, demand of value added product in India improving for Curd, Yogurt, Paneer, Cheese etc
- Indian dairy companies mfg all these to meet local taste and demand – “Make In India” initiative

# Value Added Product

- Exotic cheese / GI cheese : Consumed by Elite class – why reduce duty on it?
- Whey based high end / speciality products : Special purpose product

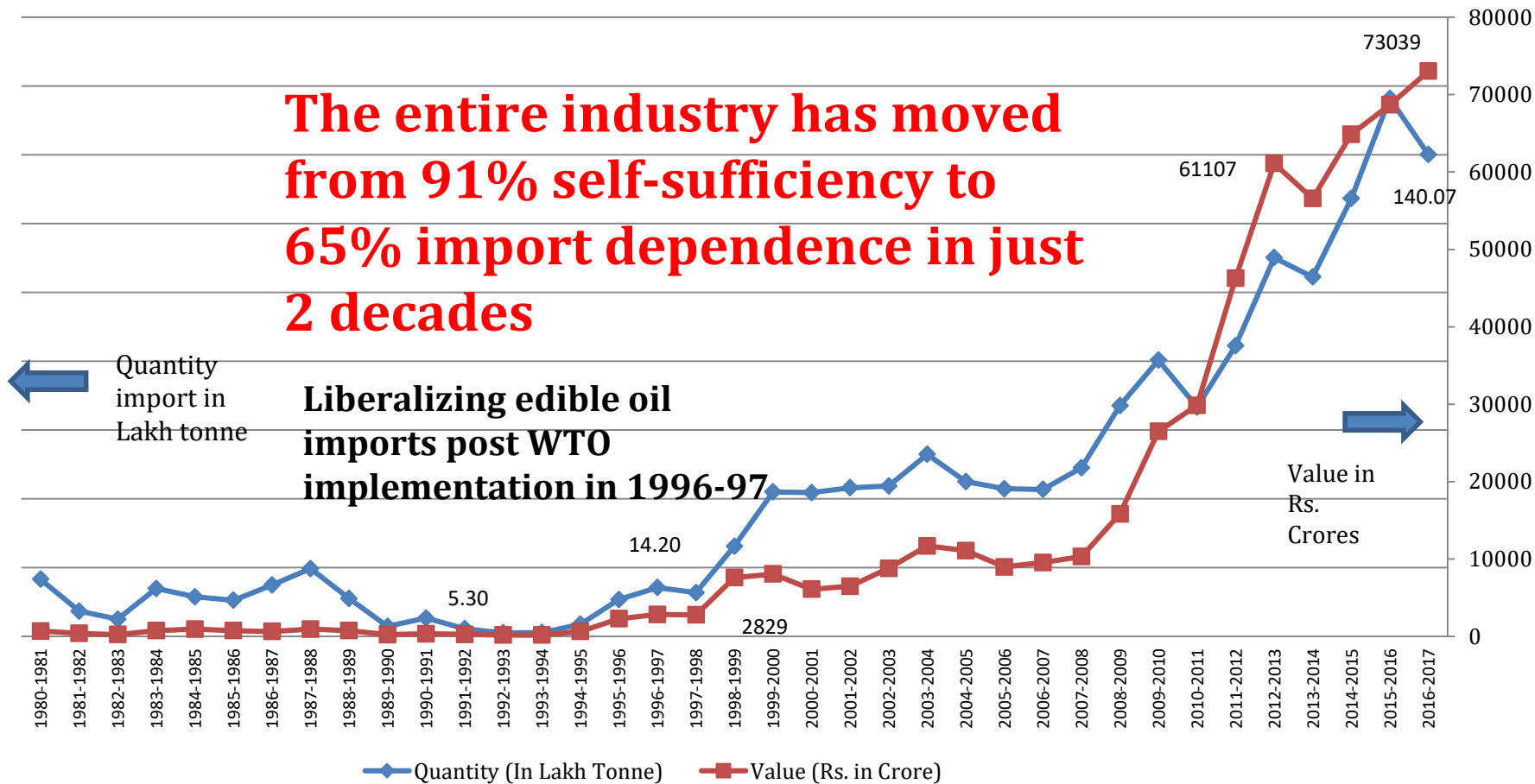
# Feeding the Cattle

- Small holder farming
- Use locally available resources
- Cattle feeding mainly on roughages & not free grazing
- No scarcity of roughages as India is likely to have healthy growth in food grain & other crop production which will be resource for cattle
- Exaggerated claim of climate change and resource shortage

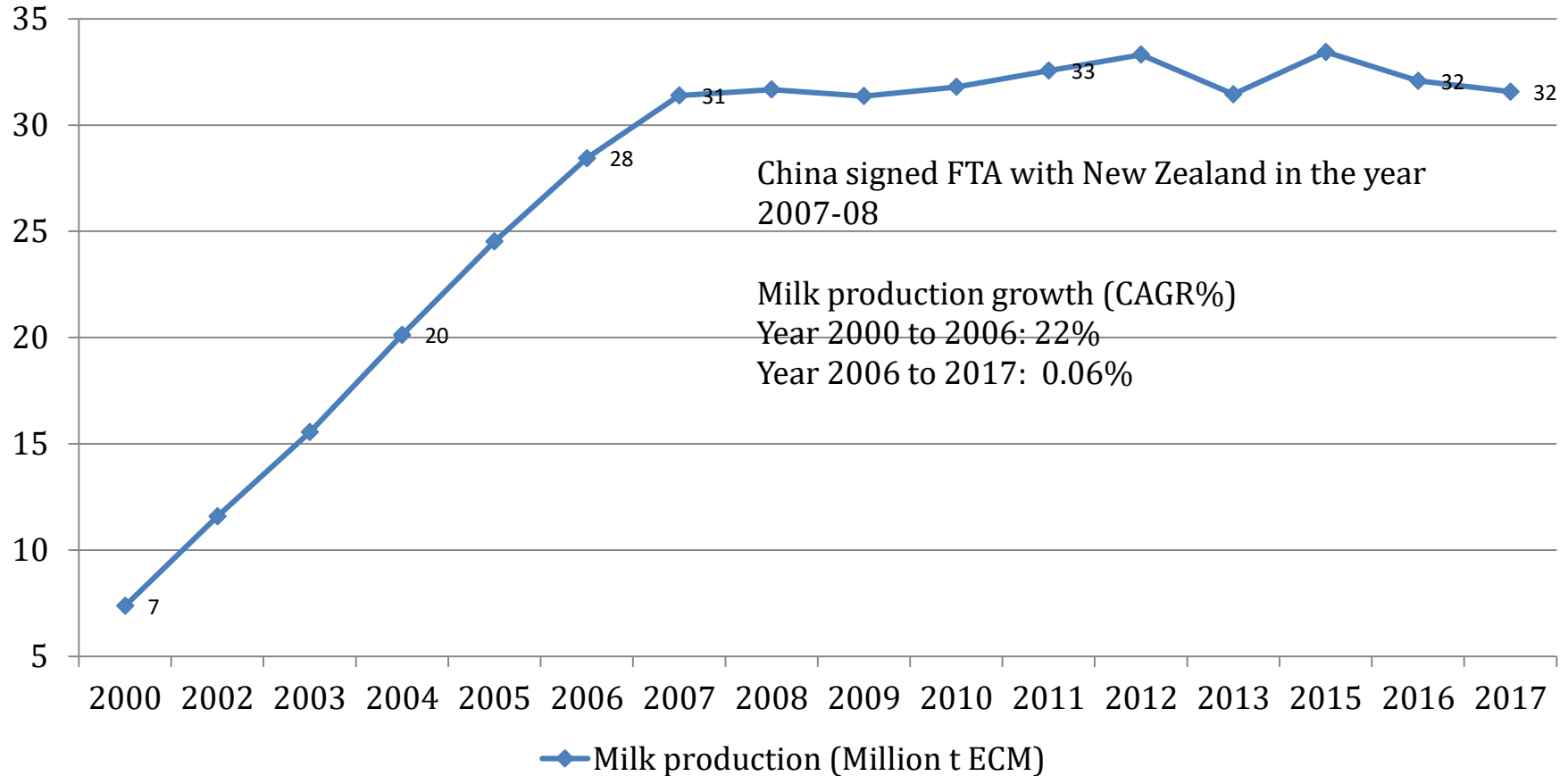
# Learning 1 : India Edible Oil scenario

**The entire industry has moved from 91% self-sufficiency to 65% import dependence in just 2 decades**

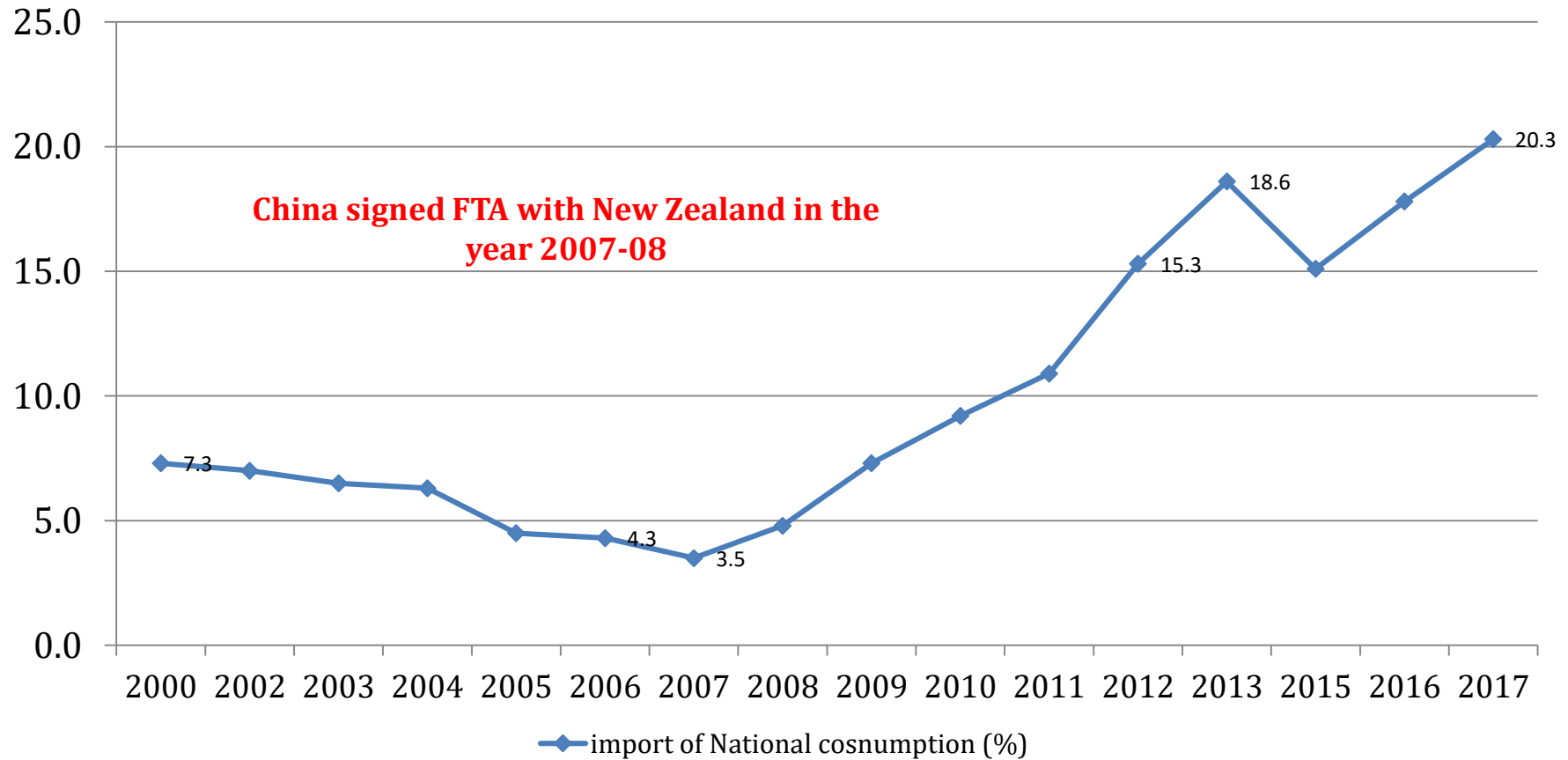
**Liberalizing edible oil imports post WTO implementation in 1996-97**



# Learning 2 : China FTA impact on milk production



# China FTA impact on import of dairy products



## **Learning 3 : How other country protecting their producers**

- Canada: Government imposed duty of 250% for all dairy products.
- EU: Non Tariff barrier with high residual and pesticides limit.
- Australia: Doesn't permit of Non-retorted dairy products from India.
- USA: High import duty and removed MFN status for dairy
- South Africa/Mexico/Venezuela/Chille: Doesn't permit import of dairy products from India
- New Zealand: Demand specialize veterinary certificate

# Impact of Duty reduction

- Dairy product price will fall
- Farmgate price will also reduced by 50%
- Loss of about INR 3.5 Lac crore to farmers



# **Doubling Farmers' Income - 2022**

- Hon'ble Prime Ministers' main focus
- Dairy contributes to 25% (Rs 7 lac crore) of total farm produce of the country (Rs 28 Lac crore)
- With permitting import at lower duty, farmer income will reduce drastically as farmgate prices will be lowered
- How can we double farmers' income from dairy?

## Indian Payout SMP + Ghee: Assumption

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- 100 **Lt** of cow's Milk  $\equiv$  103 **Kg** of cow's Milk
- Cow's milk composition in India:
  - 3.5% Fat
  - 8.5% Solids Non Fat (SNF)
- Post Procurement Expenses: 200 Rs / 100 Lt
- Processing Cost: 300 Rs / 100 Lt

Dairy Commodity price in India:

- GHEE : 290 Rs / Kg
- SMP : 280 - 300 Rs / Kg

**Export price of SMP from New Zealand/Australia to India: 150 - 160 Rs / Kg**

### PAYOUT SMP+ BUTTER calculator

	Your values	Current prices and indicative values
Price MIN Ghee	<input type="text" value="290"/> Rs/Kg	290 Rs/Kg
Price MAX Ghee	<input type="text" value="290"/> Rs/Kg	290 Rs/Kg
<b>Average Price Ghee</b>	<b>290.0 Rs/Kg</b>	290.0 Rs/Kg
Price MIN SMP	<input type="text" value="280"/> Rs/Kg	280 Rs/Kg
Price MAX SMP	<input type="text" value="300"/> Rs/Kg	300 Rs/Kg
<b>Average Price SMP</b>	<b>290.0 Rs/Kg</b>	290.0 Rs/Kg
Processing Cost	<input type="text" value="300"/> Rs/100LT	300 Rs/100LT
P-P Expenses*	<input type="text" value="200"/> Rs/100LT	200 Rs/100LT
<b>Hypothetical price</b>	<b>3084 Rs/100LT</b> 43.47 USD/100Kg	3084 Rs/100LT 43.47 USD/100Kg

**CALCULATE** **RESET**

\*Post Procurement Expenses

## 2 - Returns from SMP + GHEE with New Zealand SMP prices

CIAL.it

### PAYOUT SMP+ BUTTER

calculator

	Your values	Current prices and indicative values
Price MIN Ghee	<input type="text" value="290"/> Rs/Kg	290 Rs/Kg
Price MAX Ghee	<input type="text" value="290"/> Rs/Kg	290 Rs/Kg
<b>Average Price Ghee</b>	<b>290.0 Rs/Kg</b>	290.0 Rs/Kg
Price MIN SMP	<input type="text" value="150"/> Rs/Kg	280 Rs/Kg
Price MAX SMP	<input type="text" value="160"/> Rs/Kg	300 Rs/Kg
<b>Average Price SMP</b>	<b>155.0 Rs/Kg</b>	290.0 Rs/Kg
Processing Cost	<input type="text" value="300"/> Rs/100LT	300 Rs/100LT
P-P Expenses*	<input type="text" value="200"/> Rs/100LT	200 Rs/100LT
<b>Hypothetical price</b>	<b>1902 Rs/100LT</b> 26.81 USD/100Kg	3084 Rs/100LT 43.47 USD/100Kg

CALCULATE

RESET

THANK YOU

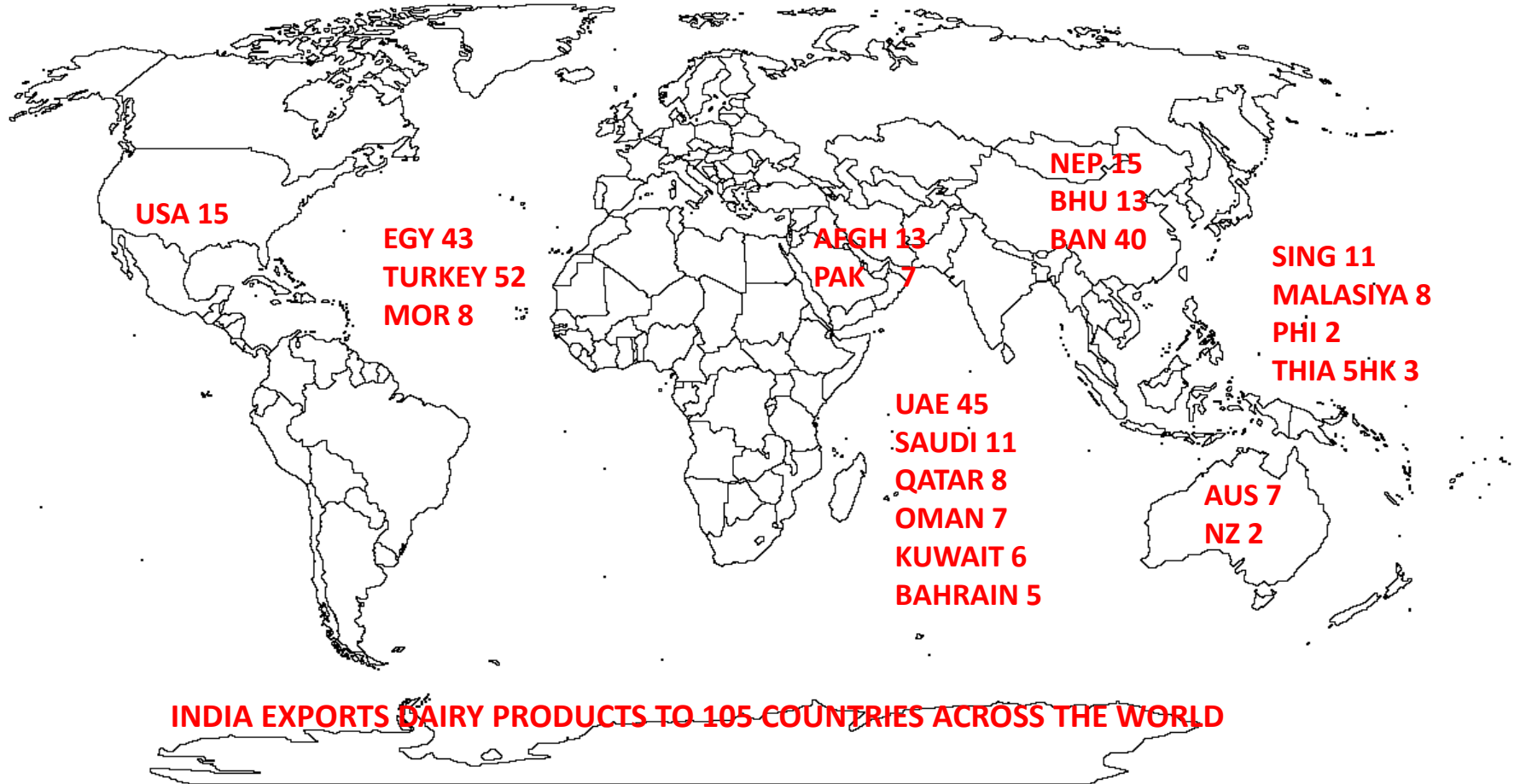
# India's Dairy Exports

- India is net dairy product exporter
- Regularly exports to USA, Australia, New Zealand, Singapore, UAE, Saudi Arabia, Egypt, Oman, Bahrain
- India exported dairy products worth **US\$ 356 million** (Amul = US\$ 117 million) in 2018-19 to about **105 countries**

# India's Dairy Exports

		Qty in MT			Value in US\$ Million		
HSCode	Commodity	2017-18	2018-19	%Gr	2017-18	2018-19	%Gr
401	MILK AND CREAM, NOT CONCENTRATED NOR CONTAINING ADDED SUGAR OR OTHER SWEETENING MATTER	8,857	10,183	15	8	9	19
402	MLK AND CRM CNCNTD/CONTNG SUGR/SWETNG MATR	14,765	47,987	225	46	95	114
403	BUTTR MLK,CRDLD MLK AND CRM,YOGRT,KPHIR AND OTHR FRMNTD ACDFD MLK AND CRM	688	809	18	2	1	-22
404	WHEY AND PRDCTS CONSTNG OF NTRL MLK CNSTITNTW/N CONTAINING ADDED SGR OR SWEETENG MATTR	183	917	402	1	5	883
405	BUTTER AND OTHER FATS AND OILS DERIVED FROM MILK; DAIRY SPREADS	16,616	46,138	178	96	210	128

# India's Dairy Exports – 2019 in Million US\$



INDIA EXPORTS DAIRY PRODUCTS TO 105 COUNTRIES ACROSS THE WORLD



# Opportunity : India

- 43% of the incremental milk produced in the world from now till 2025 will be from India.
- Indian Milk production growing at better pace than World

# Opportunity : 2

- India is a competitive producer of milk in the world
- Giving highest returns to the farmers
- India is located in the area surrounded by Milk Deficit region

# Opportunity : 3

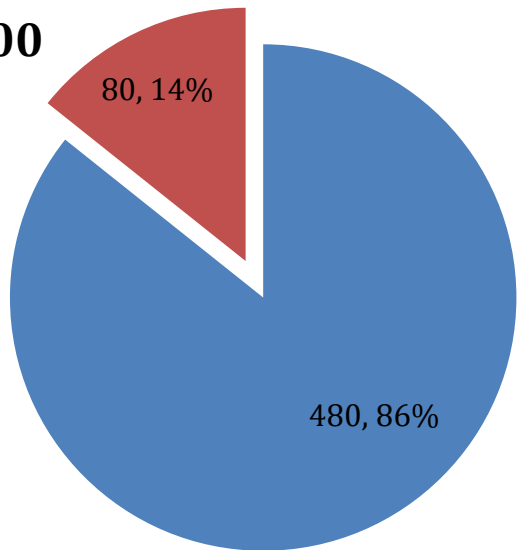
- India is the largest producer of A2 milk in the world.
- Can divert more milk to processing
  - Loose to Processed / Packaged
  - Value added product
- Productivity enhancement program going on



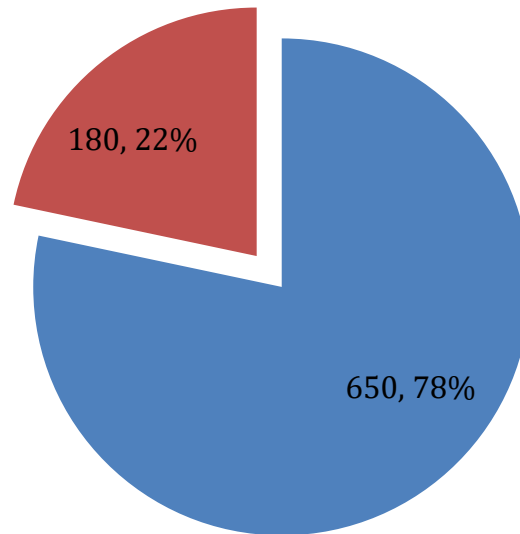
# The Road Ahead

- Milk is the largest Agricultural Crop with promising returns to farmers
- India growing at faster pace than global milk production
- Traceability is thru Integrated SAP software
- Clearance of India as dairy product supplier and approving EIC as Dairy Export Monitoring body
- Explore cooperation between old friends -India and Russia

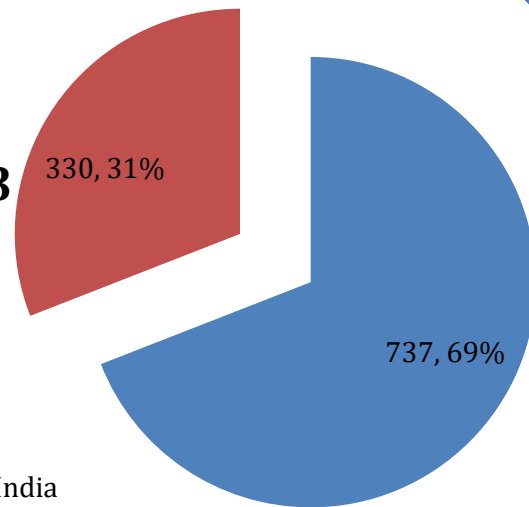
**Year 2000**



**Year 2018**



**Year 2033**



■ World ■ India