

Indian Dairy in the Emerging Trade Order

Present study found that the world market for important dairy products like milk powders, butter and cheese remains highly distorted even after years of existence of WTO. The forms of trade-distortion have changed in few countries and country groups during the post Uruguay round. There are also efficient milk producing countries like Australia and New Zealand, the nature of milk production in these countries is significantly different as compared to India. In this situation, if India further liberalises imports of dairy products, domestic prices of milk will depress and this may affect growth of the dairy sector in the country. The NTBs on imports of most of the milk products in India were replaced with moderate tariffs (around 40 per cent) in the mid '90s. It is interesting to note that in spite of moderate tariffs, real prices of milk in the country has been decreasing since 1993. This has different implications for producers and consumers, implications would also vary across regions since a disaggregate analysis of dairy sector presents considerable disparity in growth of the dairy sector in the country. Present study analyse producers and consumers benefits for important states of the country namely, Haryana, Uttar Pradesh, West Bengal, Maharashtra, and Tamilnadu. The effect of import liberalization has been found to be a function of the price at which import is taking place, prices of milk products are generally low in the Oceania countries and free import from these countries increases consumers benefits more than the losses to the producers, thereby increasing aggregate benefits. The amount of aggregate benefits however, varies across regions; effect of import liberalization has been significantly higher for the coastal regions as compared to the land-locked states of the country.
