



Institute of Economic Growth



RIS

Research and Information System
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Seminar on
India and Globalization
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GLOBALIZATION AND INDIA'S DAIRY SECTOR

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- **In India dairy accounts for around 5 and 4 per cent in aggregate income and employment**
- **Contribution to GDP has been increasing though that of agriculture is decreasing**
- **This balances rural inequity** (77% of small holders cultivate only 33% of operated area, they account for 60% of female cattle popln.)

Govt Policy

- **Ist phase (1951-1969)**
 - Too much of Govt. control, monopolized milk supply and distribution, high dependence on import
- **2nd phase (1969-91)**
 - Restricted Govt role in milk collection, dependence on cooperative, limited imports
- **3rd phase (after 1991)**
 - Delicensing, MMPO1992, further amendment of MMPO in March 2002, Companies Amendment Act (2002) to incl. Producer companies, Trade almost liberalised

Trade Policy

NTBs removed: Exports decanalised, restriction on imports removed (SMP imports canalized)

- **Tariff Bound rates: 40% (butter, butter oil, cheese), 100% (Milk & concent. Milk), 150% (yogurt)**
- **Tariff Applied rate: mostly 30-40%, milk powder (15-60**

Trade Patterns

Imports: HS0402 (MP, 0.45%), butter (0.45%), others (0.1%)

Exports: HS0402 (MP, 0.65%), Cheese and whey etc.,

Net Imports of Dairy Products in India



Figure 2.6 Trends in NPCs for the selected Indian dairy products

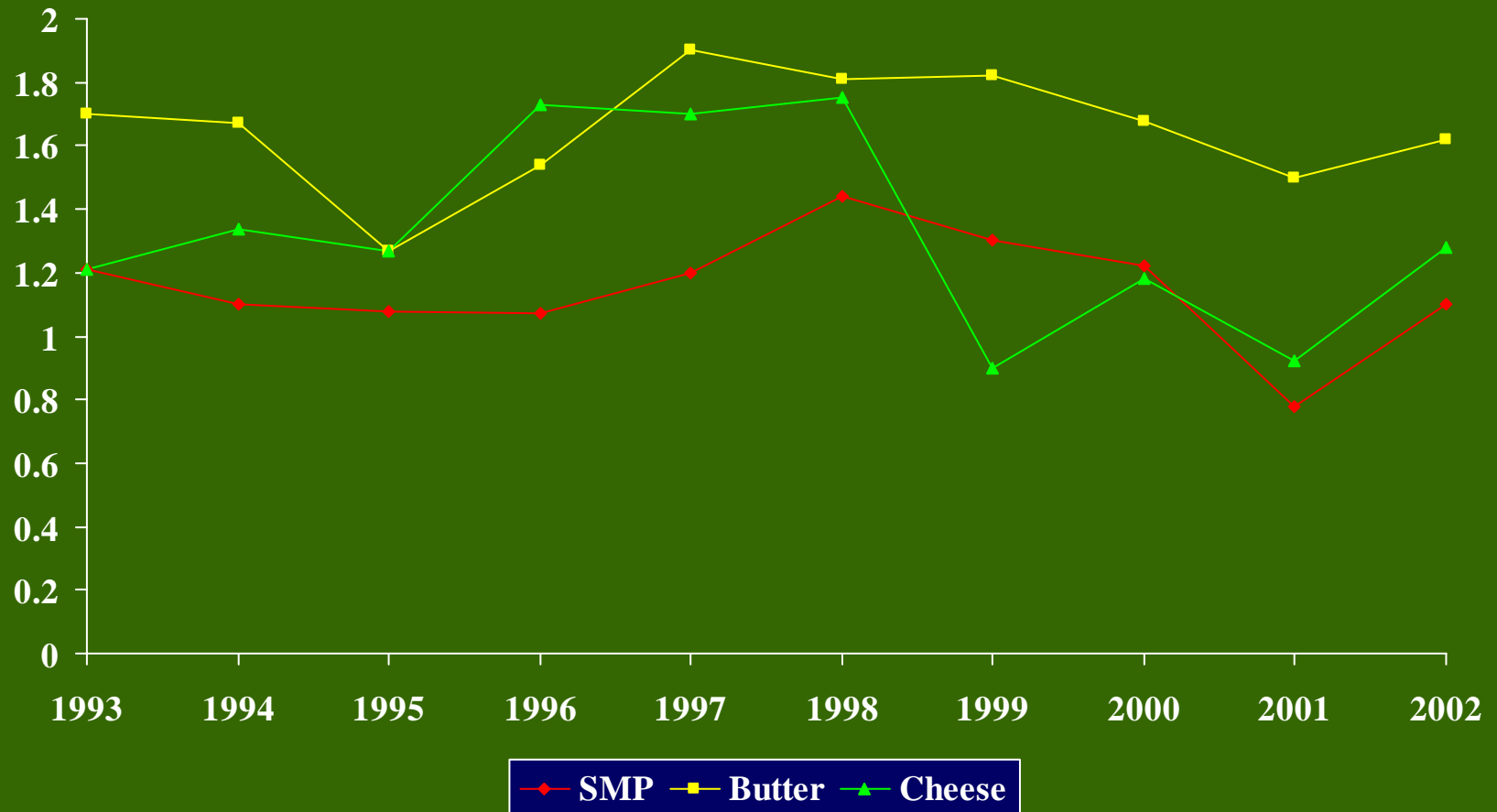


Table: Profile of Major Milk Producing Countries, 1996

Countries	Per capita availability* (gms/day)	Milk Production (million tones)	Milk Yield of cattle per year (kg/animal/year)
New Zealand	8378	11.13	3414
Denmark	2312	4.43	5380
Australia	1397	9.30	4547
Canada	714	7.80	6225
USA	717	71.07	7690
UK	664	14.16	5713
Turkey	470	10.76	1586
Pakistan	399	20.96	1035
Mexico	239	8.21	1245
India	213	75.40	1415

Note: Per capita availability of milk is the ratio of milk production to the human population in the respective country.

World Dairy Market

- In milk powder trade 23 per cent of production whereas in butter and cheese it is 8 per cent
- Exports mkt is highly concentrated, dominated by NewZ'land, EU, US, Australia
- Leading importing countries are Brazil, Mexico, Russian Fed, EU, US, Japan; import market is properly distributed especially of milk powders

Figure: Trends in proportion of world import to production for the selected milk products

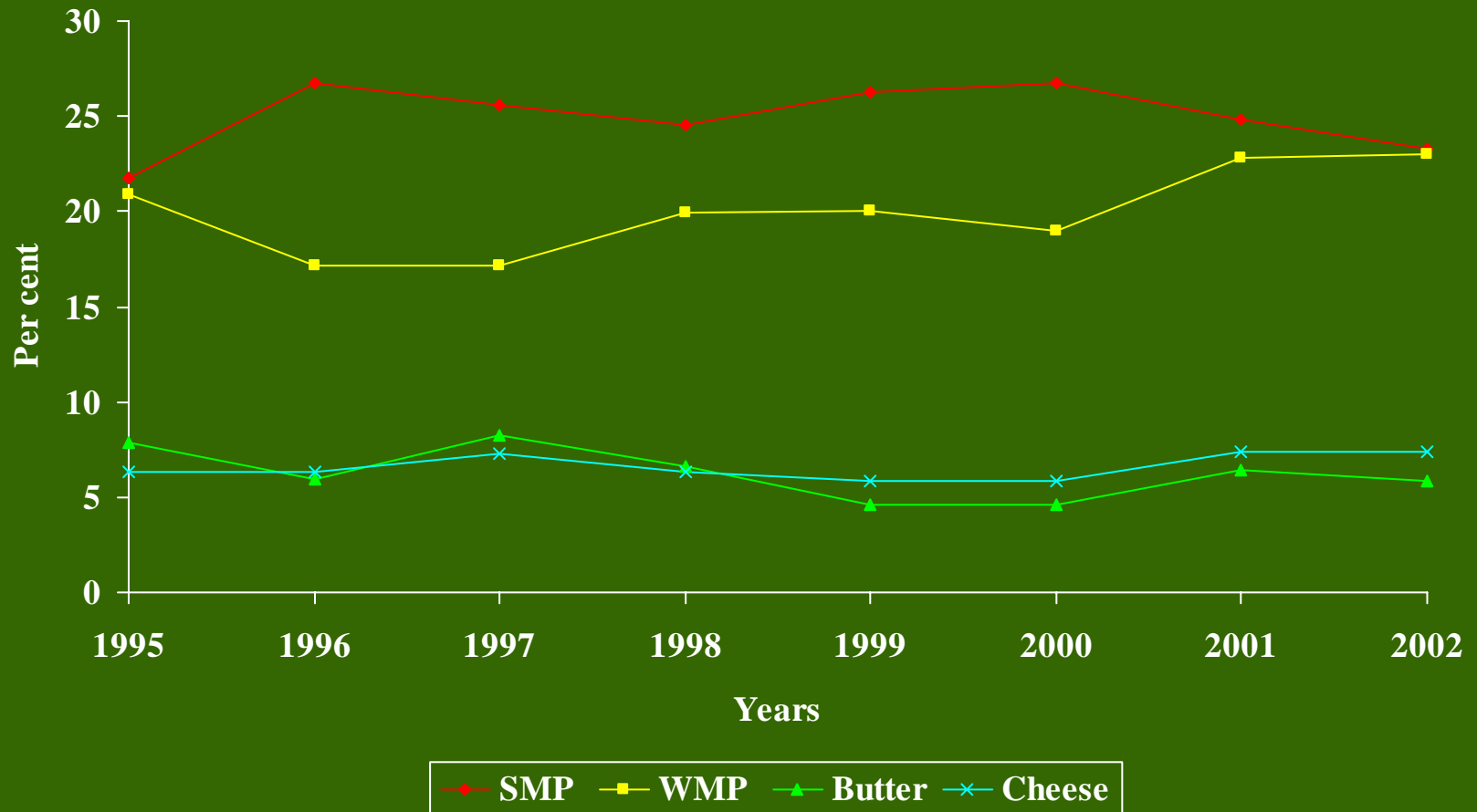


Table: Price Efficiency of Milk Products in Selected Countries

Dairy products	Price ratios 1995-96			Price ratios 2001			Price ratios 2002		
	USA	EU	NewZ'	USA	EU	NewZ'	USA	EU	NewZ'
SMP	1.47	1.41	1.00	1.02	0.99	1.00	1.46	0.97	1.00
WMP	1.68	1.65	1.00	1.48	0.97	1.00	1.81	0.98	1.00
Butter	1.32	2.01	1.00	2.21	1.07	1.00	2.35	1.18	1.00

Efficiency & India

- **A comparison of fob price of milk products shows that India is more price efficient than EU and US but not as good as NZ'land, Aust.**
- **Difference in the process of production: In India cattles are largely stall-fed but in NZ'land, Aust. ranching is more prevalent**
- **A comparison of producers price shows that India is more efficient than NZ'land, Aust.**
- **A comparison of EPCs and DRCs for the selected year also shows inefficiency in post harvest operations in India.**

Implications

World Price Highly Volatile

Lower Price:

Limited effect on consumer because of downward rigidity of retail prices

Effect is more on Producers because of monopsony in milk processing market, real prices of milk has declined

Figure. A comparison of milk, meat and oil cake prices in Mumbai

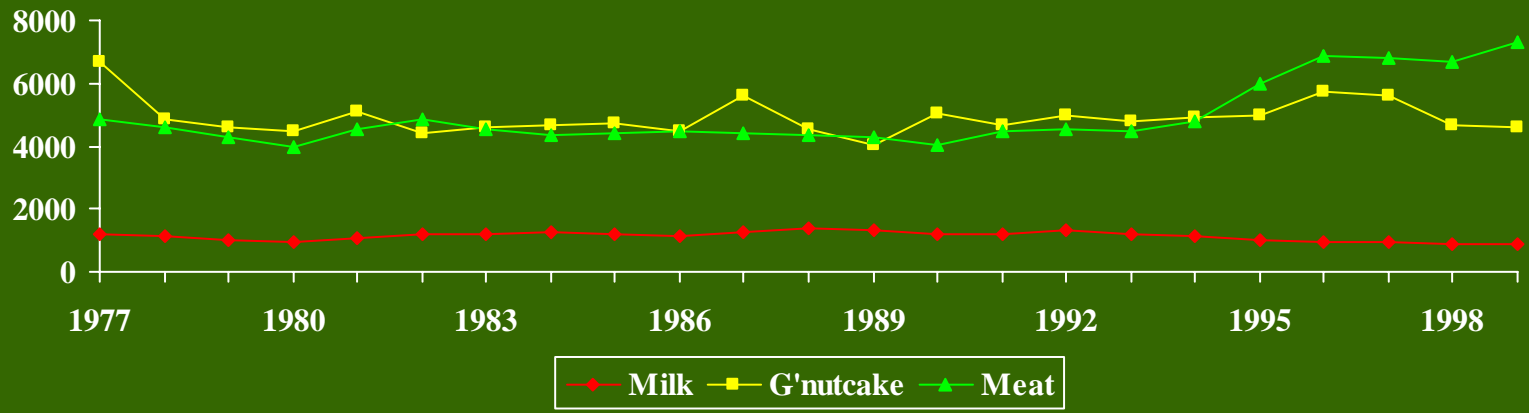
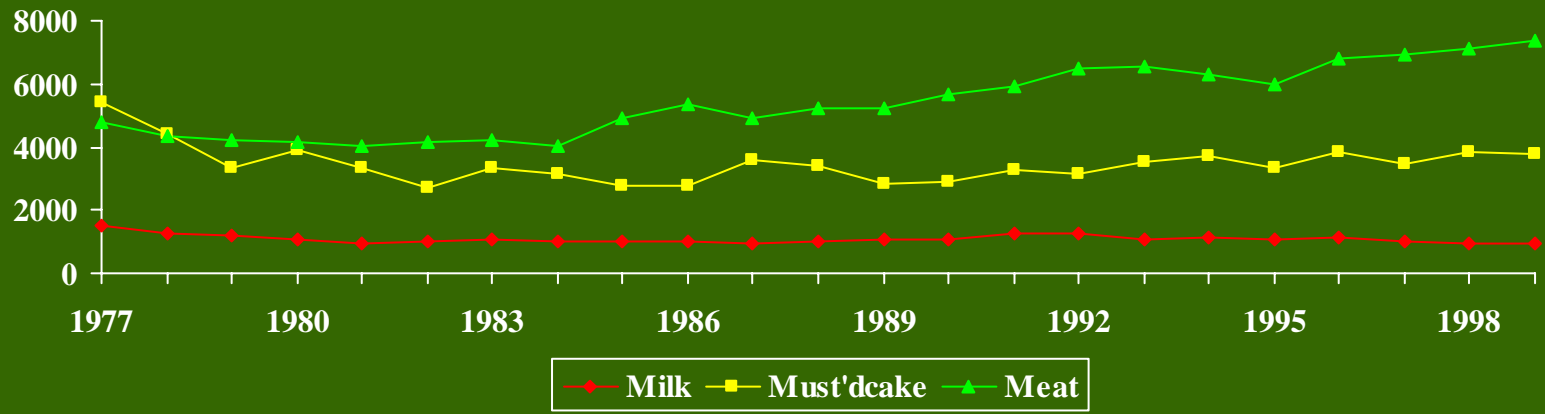


Figure. A comparison of milk, meat and oil cake prices in Kolkata



World Price & Trade

- Major Exporters: N'Zland, EU, US
- Important imported milk products for India is milk powder, butter

WP Milkpowder (\$US/ton)	Equivalent WP for milk (Rs/qtl at 1999)	
1500	647	Import
2050	884	Lim. import
2650	1140	Exports

Policy & Investments

POLICY : Price, Technology, Institutions **INVESTMENT**

- **Milk Processing: attracting investments after 2002 but in well off regions**
- **Cattle Breeding: structural transformation has been slow... though gestation period reduced**
- **Cattle Feeding: Animal feed industry to improve quantity and quality of cattle feed**
- **Animal Health Services: with transformation suceptibility of animals to diseases have increased**

Conclusions

India has large potential for Dairying; in an opening economy

this requires limited protection in the short run as the world dairy market is less fair.

in the long run it is important to make Indian dairy sector more efficient and investment is crucial

Thanks