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India

Dairy and Products

Annual

2001

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Report Highlights:

Fluid milk production is forecast to climb 2-3 percent in 2002. This year's imports of NFDM and butter oil are expected to decline from last year's high levels by 88 and 50 percent, respectively, due to stronger world prices.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I - SITUATION AND OUTLOOK

Production

Fluid milk production in MY 2002 is forecast at 83 million tons compared with 81 million tons in 2001. Improved fodder availability (leading to a slightly higher milk yield), higher farm-gate prices, and increasing private investment in the dairy processing industry are supporting higher production. Stronger farm-gate prices for milk, stemming from a robust demand for milk from the expanding dairy processing industry, have encouraged dairy farmers to expand herd size and improve feeding practices. Excise duty exemptions granted on dairy products in this year's government budget resulted in lower consumer prices and increased sales, giving a further boost to the dairy sector.

Traditionally, the dairy business has been a backyard/roadside venture with herds of just a few cows. Marketable surplus of milk was small. However, with the increasing commercialization of the dairy industry and surging urban demand for milk, the scale of dairy operations has expanded. Village level farmers' milk cooperatives have sprung up, providing further impetus to the dairy sector.

Buffalo milk accounts for about 55 percent of milk production. As milk is priced according to fat content, the proportion of buffalo milk to cow milk is increasing. The average price for full fat buffalo milk (7 % fat & 9 % SNF) in August was rs. 11.60 to13.80/liter ($249 to $296/ton) compared with rs. 8.00 to12.00/liter ($172 to $258/ton) for cows milk (4% fat & 8.5% SNF).

Production Developments

The Indian government's breeding program is focused more on selective breeding of indigenous stock than on cross-breeding with exotics. As embryo transfer technology is expensive, it is not much used in India. Federal government funding for cattle development was rs. 526 million ($11.1 million) in 2000/01 (Apr/Mar). Funding for dairy development projects (including grants to the National Dairy Development Board) was rs. 665 million ($14.0 million).

Cooperative and private dairy processors retail about 65 and 40 percent of their respective milk procurement as fluid milk, with the rest being processed into value-added products such as butter, ghee, dairy whitener, ice cream, and cheese. Several new products such as flavored milk and flavored yogurt are also being introduced. While the cooperatives typically cater to the low and middle-income consumers by offering products at somewhat lower prices, private industry caters mostly to high-income urban consumers.

Consumption

About one-fifth of total milk production is consumed at the producer-household level. The rest is procured by village-level vendors and private and cooperative dairy processors. Liberalized licensing norms, cheap and innovative packaging technologies, higher margins, and increasing demand for branded processed dairy foods have encouraged the private dairy processing sector to expand its processing capacity.

Fluid milk use in MY 2002 is forecast at 33.5 million tons, about 40 percent of total production. The balance will go into the production of milk products. Combined butter oil and ghee (melted and clarified butter) production is forecast at 2.6 million tons, and table butter and white butter at 75,000 tons and 50,000 tons, respectively. Milk powder production is forecast to increase by 14 percent to 360,000 tons, including 200,000 tons of non-fat dry milk (NFDM). Last year's milk consumption was about 220 grams/capita/day, well below WHO's recommended level of 283.

Trade

Trade in dairy products is largely limited to butter oil and NFDM. Imports of these products are chiefly driven by the price differential between the domestic and international markets rather than by domestic shortages. Although quantitative restrictions on the import of dairy products were removed in April 2001, such imports do require a sanitary permit issued by the Department of Animal Husbandry. Effective June 12, 2001 a Tariff Rate Quota (TRQ) was established for NFDM imports under which imports of up to 10,000 tons are allowed at a 15 percent tariff, with quantities above that level attracting a 60 percent duty. The Agricultural and Processed Food Export Development Authority has been vested with the responsibility of administering the TRQ.

Low world prices and strong domestic demand led to a surge in NFDM imports in MY 2000, estimated at 17,290 tons. Imports are estimated to decline sharply to 2,000 tons in 2001 due to high international prices. The European BSE crisis provided opportunities for increased exports of Indian NFDM MY 2001 exports are forecast at 10,000 tons compared with 4,500 tons in MY 2000. The Indian government is trying to enforce international quality standards for Indian milk products by designating the Export Inspection Council to monitor export quality.

Butter oil imports, mainly for reconstitution purposes, are likely to decline to 5,000 tons in MY 2001 from 10,000 tons in MY 2000 due to higher international prices and expanding domestic processing capacities. Butter oil exports (mainly ghee for the ethnic Indian population in the Middle East and other Asian countries) are forecast to increase to 10,000 tons in MY 2001 from 2,000 tons in MY 2000 due to firm world cream prices.

Market Opportunities

NFDM and butter oil imports are expected to continue as India needs reconstituted milk to fill the demand-supply gap during the lean summer months (Apr/Aug). This is a long-term market opportunity for US exporters provided their prices are competitive with Oceania and the EU. Trade sources say that despite the DEIP, US dairy product prices are usually higher than those offered for EU and Oceania products. The growing popularity of pizza and cheese-based snack foods should generate increased demand for imported cheeses. There is also a growing niche market for US ice creams.

Table 1 : Tariffs on Major Dairy Products

HTS Code	Item Description	Total Tariff (Percent)
0401	Milk and Cream, not concentrated nor containing added sugar or other sweetening matter	40.40
0402.10	Milk Powder (NFDM), Fat content not exceeding 1.5 percent by weight 1/	60.00
0402.21	Milk and Cream, concentrated but not containing added sugar or other sweetening matter	35.00
0402.29	Other	40.40
0403.10	Yoghurt	40.40
0404.10	Whey Products	40.40
0405.10	Butter	40.40
0405.20	Dairy Spread	40.40
0405.90	Other	40.40
0406	Cheese and Curd	40.40
1702	Lactose and Lactose Syrup	40.40
1806	Chocolates	62.86
1901.10	Preparations for infant use containing milk	56.00
2105	Ice Cream	62.86
2106.90	Beverages ready for consumption such as those containing milk and/or cocoa	40.40
3502.20	Milk Albumin including concentrates of two or more whey proteins.	62.86
3504	Peptones and their derivatives; other protein substances and their derivatives, not elsewhere specified or included	62.86

1/ A TRQ of 10,000 tons is applicable on imports of Non Fat Dry Milk. In-quota tariff is 15 percent.

SECTION II - STATISTICAL TABLES

Commodity, Dairy Milk Fluid, PSD

PSD Table							
Country:	India						
Commodity:	Dairy, Milk, Fluid						
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin		01/2000		01/2001		01/2002	(MONTH/YEAR)
Cows In Milk	35750	35750	35900	35900	0	36000	(1000 HEAD)
Cows Milk Production	36250	36250	36400	36400	0	36500	(1000 MT)
Other Milk Production	43000	43000	44850	44600	0	46500	(1000 MT)
TOTAL Production	79250	79250	81250	81000	0	83000	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	79250	79250	81250	81000	0	83000	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	0	0	0	0	0	0	(1000 MT)
Fluid Use Dom. Consum.	33000	33000	33250	33300	0	33500	(1000 MT)
Factory Use Consum.	46250	46250	48000	47700	0	49500	(1000 MT)
Feed Use Dom. Consum.	0	0	0	0	0	0	(1000 MT)
TOTAL Dom. Consumption	79250	79250	81250	81000	0	83000	(1000 MT)
TOTAL DISTRIBUTION	79250	79250	81250	81000	0	83000	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Commodity, Dairy Milk Nonfat Dry, PSD

PSD Table							
Country:	India						
Commodity:	Dairy, Milk, Nonfat Dry						
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	

Calendar Year Begin		01/2000		01/2001		01/2002	(MONTH/YEAR)
Beginning Stocks	42	42	33	49	27	36	(1000 MT)
Production	150	150	165	175	0	200	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	3	17	2	2	0	5	(1000 MT)
TOTAL Imports	3	17	2	2	0	5	(1000 MT)
TOTAL SUPPLY	195	209	200	226	27	241	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	12	5	8	10	0	15	(1000 MT)
TOTAL Exports	12	5	8	10	0	15	(1000 MT)
Human Dom. Consumption	150	155	165	180	0	210	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	150	155	165	180	0	210	(1000 MT)
TOTAL Use	162	160	173	190	0	225	(1000 MT)
Ending Stocks	33	49	27	36	0	16	(1000 MT)
TOTAL DISTRIBUTION	195	209	200	226	0	241	(1000 MT)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 MT)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Commodity, Butter, PSD

PSD Table							
Country:	India						
Commodity:	Dairy, Butter						
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin		01/2000		01/2001		01/2002	(MONTH/YEAR)
Beginning Stocks	0	0	0	0	0	0	(1000 MT)
Production	1950	1950	2250	2250	0	2600	(1000 MT)

Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	5	10	8	5	0	15	(1000 MT)
TOTAL Imports	5	10	8	5	0	15	(1000 MT)
TOTAL SUPPLY	1955	1960	2258	2255	0	2615	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	1	2	2	10	0	10	(1000 MT)
TOTAL Exports	1	2	2	10	0	10	(1000 MT)
Domestic Consumption	1954	1958	2256	2245	0	2605	(1000 MT)
TOTAL Use	1955	1960	2258	2255	0	2615	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	1955	1960	2258	2255	0	2615	(1000 MT)
Calendar Yr. Imp. from U.S.	1	1	2	0	0	4	(1000 MT)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Commodity, Dairy Milk Nonfat Dry, Export Matrix

Export Trade Matrix			
Country:		Units:	Tons
Commodity:			
Time period:	Jan-Dec		Jan-Dec
Exports for	2000		2001
U.S.	12	U.S.	NA
Others		Others	
Bangladesh	1943		NA
Bahrain Is	927		NA
Belgium	610		NA
UAE	431		NA

Philippines	291		NA
France	98		NA
UK	34		NA
Canada	28		NA
Nepal	26		NA
Sri Lanka	22		NA
Total for Others	4410		0
Others not listed	84		NA
Grand Total	4506		0

Commodity, Butter, Export Matrix

Export Trade Matrix			
Country:		Units:	Tons
Commodity:			
Time period:	Jan-Dec		Jan-Dec
Exports for	2000		2001
U.S.	452	U.S.	NA
Others		Others	
UAE	755		NA
Mexico	104		NA
Kuwait	90		NA

Singapore	66		NA
Canada	55		NA
Oman	53		NA
Hong Kong	31		NA
Bahrain Is	25		NA
Philippines	18		NA
Yemen	17		NA
Total for Others	1214		0
Others not listed	29		NA
Grand Total	1695		0

Commodity, Dairy Milk Nonfat Dry, Import Matrix

Import Trade Matrix			
Country:		Units:	Tons
Commodity:			
Time period:	Jan-Dec		Jan-Dec
Imports for	2000		2001
U.S.	17	U.S.	NA
Others		Others	
Netherlands	4826		NA
Germany	3489		NA
Ireland	3204		NA

Belgium	1728		NA
UK	976		NA
Australia	553		NA
Argentina	451		NA
France	424		NA
New Zealand	334		NA
Canada	250		NA
Total for Others	16235		0
Others not listed	1040		
Grand Total	17292		0

Commodity, Butter, Import Matrix

Import Trade Matrix			
Country:		Units:	Tons
Commodity:			
Time period:	Jan-Dec		Jan-Dec
Imports for	2000		2001
U.S.	0	U.S.	NA
Others		Others	
New Zealand	3977		NA
Australia	5625		NA
United Kingdom	200		NA
France	157		NA
Belgium	108		NA
Netherlands	96		NA
Thailand	59		NA
Singapore	33		NA
Total for Others	10255		0
Others not listed			NA
Grand Total	10255		0