



A Study Of International Trade Of Indian Dairy Industry

*Dr. Deepa Ingavale

* Assistant Professor, MBA- Course, Department of Commerce & Management, Shivaji University, Kolhapur, Maharashtra

ABSTRACT

The dairy industry is one of the largest industries in India. Although India is the largest producer of milk in the world, it is a very minor player in the world dairy market, accounting for a miniscule 0.08% of the world dairy exports. The Asian countries are the major destination of our exports. The demand for dairy products is expected to increase at a rapid rate in the Asian countries. The exports were made to 105 countries in the world. Among these 40 are Asian countries. Although the number of non Asian countries is comparatively more than the Asian destinations, yet the percentage share of all Asian countries together is much more than the rest of the world export partners. Skim Milk Powder, Whole Milk Powder, Milk food for babies, Butter & ghee are the main products of Indian basket of dairy exports. The present paper focuses on export trend & export potential of India for dairy products.

Keywords : Dairy industry, exports potential, organized sector

Introduction -

The dairy industry is one of the largest industries in India. This is the sector where the poor contributes to growth directly instead of getting benefit from growth generated elsewhere. Dairy sector in India is characterized by very large number of cattle & low productivity. India possesses over 16% of world cattle & some 57% of buffalo population but account for 15% of world milk production. The sector is highly livelihood & provides supplementary income to 60 to 70% of rural households. Although India is the largest producer of milk in the world, it is a very minor player in the world dairy market, accounting for a miniscule 0.08% of the world dairy exports. India exported 70,790 tones of milk in 2008-09.

Basically, the country was primarily an import dependent country till early seventies & most of the demand - supply gap of liquid milk requirement of urban consumers was met by importing butter oil & milk powder. But with the onset of operation flood, the scenario of milk production changed rapidly in the two decades & dairy products began to figure in India's export basket by the nineties. However, the exports of dairy products from the country are still in infancy. During the past decade the trends indicate high volatility in dairy exports.

In the dairy sector, most of the processing is done by the unorganized sector. Among the milk products manufactured by the unorganized sector are ghee, butter, cheese, ice cream, milk powder, malted milk food, condensed milk & infant foods. Though the share of organized sector is less than 15% it is expected to rise rapidly.

Objectives -

1. To study the dairy exports from the India.
2. To analyse the export opportunities for dairy products.

Scope and Limitations -

The study focuses on the export opportunities for Indian Dairy Industry. For the study dairy sector is selected. The study is limited to Indian dairy industry and its export to various countries.

Research Methodology -

The study is related to the export opportunities for Indian Dairy Industry. The research method adopted is the case study method for which secondary data are used & it is collected from the books, journals & Internet.

Indian Dairy Industry -

Dairying has become an important secondary source of income for millions of rural families and for millions has played the most im-

portant role in providing employment and income. The per capita availability of the milk has also increased to a level of about 245 gm per day, but this is still low as compared to developed nations or the world average 285 gm per day. Government of India is making efforts to increase the productivity of milk animals and thus increase the per capita availability of milk.

The Annual Report of the NDDB for 2007-08 States that a draft National Dairy Plan (NDP) has been proposed to increase the country's milk production to meet the projected demand of 180 million tones by 2021-22. India remained the largest milk producing country in 2008-09 with a share close to 15 percent of world milk production. However, a combination of factors, led by high GDP growth in particular has led to a rapid increase in the domestic demand for milk. Producer prices for milk continued to increase leading to increase in corresponding rise in consumer prices for milk.

The Indian dairy industry has been through an evolution right from the British era till today. It has come a long way over the years from a milk production volume of 17 million

tons in 1951 to 110 million tons in 2009. Given the highest bovine population of 115.487 million in the world, India exhibits tremendous potential to further strengthen its position in the world dairy market. Despite being the world's largest milk producer, India's share in world dairy trade is negligible. However, India is a net exporter of dairy products, export volumes of 2008-09 equating to more than 70,790 tons.

India is one of the verges of assuming an important position in the global dairy industry. The 50,000 tones branded butter market, valued at US \$ 133 million is estimated to be growing at 8.10% annum. The cheese market is estimated to be US \$ 110 million in value terms & has been growing at a compounded annual growth rate of 8 - 9 % during 1999 - 2003. The growth in urban areas has been higher at about 15% per annum. The ice - cream market in India is estimated to be about US \$ 199 million per annum. A few corporate players including MNCs are now focusing this market. For example, Nestle & Britannia have forayed into emerging segments such as Ultra Heat Treatment & Flavored milk.

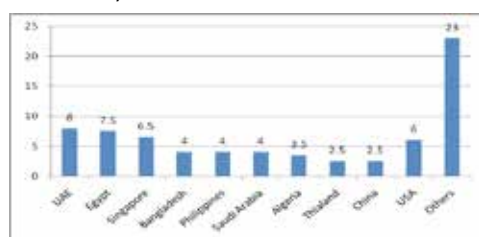
Export Trends -

India exported more than 50 percent of its total dairy products shipments to the United States, Bangladesh, U.A.E., China, Egypt and Singapore during 2008-09. The trend in direction of exports indicates that Asia is the major destination of dairy exports from India. During

1991 to 2008 India has exported dairy products to the world market worth US \$ 162.93 million, while the corresponding figure for Asia is US \$ 132.86 million. The exports were made to 105 countries in the world, at least for one year. Among these 40 are Asian countries.

Although the number of non Asian countries is comparatively more than the Asian destinations, yet the percentage share of all Asian countries together is much more than the rest of the world export partners. The average share of Asian countries during the past period 1991 to 2008 is about 80 & 82% on quantity & value basis respectively. Among the Asian markets, Egypt & UAE are the most top two destinations of our dairy products. For the past 10 years, 1998 to 2008, UAE is the largest importer of milk & milk products from India. Singapore and Bangladesh are also two attractive destinations for dairy exports. The shares of Oman, Yemen, Saudi Arabia, Singapore, South Korea & Nepal have shown an upward trend after 1997, while Philippines, Kuwait, Bahrain & Afghanistan suffered a downward trend in their share of total India's export to Asia.

Graph 1 - Exports Across major destinations during 2008-09 (000' million tons)

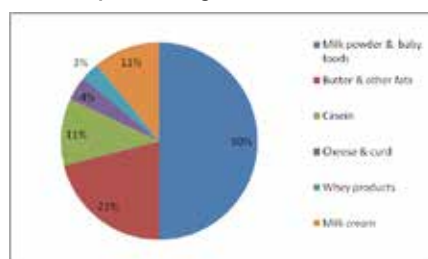


Composition of Indian Exports –

India exports various categories of milk products including milk powder, baby food, butter and other fats, casein, milk and cream, cheese, and whey products. Milk powder and baby food export constitutes around 50% of the total dairy exports in volume terms during 2008-09, followed by butter and fat, casein, milk and cream and other processed dairy products.

As regards the profile of India's export basket, Skim Milk Powder (50%), butter and other fats (21%), casein (11%), cheese and curd (4%), whey products (3%), milk cream (11%) dominated the export of dairy products from India during 2008-09.

Graph 2 - Indian Exports during 2008-09



On the basis of average value & frequency of exports during 2008 – 2009, classifying the products into four categories: regular, new, emerging & occasional products, only 12 out of 32 products lines are more or less regularly exported to the Asian markets. The prominent among them are skimmed milk powder (SMP), Whole Milk Powder (WMP) & milk food for babies, other low fat milk powder, milk in granular form, butter and ghee. The average export value of these products has increased substantially from 1991. Average value of exports of SMP has increased to US \$ 10605 thousands during 1997 – 2000, registering sharp increase of about 212% per annum.

REFERENCES

1. Alagh Y.K., (2007) Why Ban Milk Powder Export? Indian Dairyman, Vol. 59, No. 2, pp. 5-6. | 2. Chand Sukumar, Saraiya Aneesh, & Sridhar V., (May 2010), Public Private Partnership in Indian Dairy Industry – Initiating White Revolution II, Confederation of Indian Industries. | 3. Harza Pralay and Sirohi Smita, (2007) Export Potential of Indian Dairy Products, Indian Dairyman, Vol. 59, No. 4, pp. 31-39 | 4. Jain Deepak, (2004) Emerging Dairy Countries: The Indian Perspective, Indian Dairyman, Vol. 56, No. 12, pp. 37-42. | 5. Kurien Verghese, (2001) The Dairy Scenario, Dairy India, 6th Edition, pp. 7-13. | 6. Mathur B.N., (2007) "Dairy Scenario – India Today & Tomorrow", All India Dairy Business Directory, Sadhana Prakashan, pp. 29 – 34. | 7. Shankar Ravi, (Oct.2004) Indian Dairying- Vision 2020: Policy Initiatives for Excellence, Indian Dairyman, vol. 56. | 8. Sharma Vijay Paul & Sharma Pritee, Trade Liberalization & Indian Dairy Industry, Oxford IBH Publishing Co. Pvt. Ltd |

A few products like unsweetened condensed milk, powdered cheese & some other fermented products have emerged in India's export basket recent past years. These products have been exported only during the period 2001 – 04. Besides these products India has exported some products periodically namely Yoghurt, Butter milk, Cheese. Their export is negligible; hence they can at the best consider as occasional products.

Export Potential –

The export potential of any product depends largely on two factors: size of the foreign market & bargaining power of the exporting country. In developed countries, due to the slow growth of population coupled with negligible change in the existing dietary pattern, the demand for dairy products is less in these countries in the times to come. Besides the low import demand of dairy products in these developed countries, the other critical factor limiting the possibility of Indian dairy exports to these countries is the poor export competitiveness of dairy products. Continued protection of dairy industry & stringent sanitary & phyto- sanitary regulations in these markets makes it unlikely for India make significant in-roads in the dairy product markets of developed countries. According to Outlook of OECD, on an incremental- volume basis, nearly 60% of the increase in the world's dairy consumption by 2010 will come from the non – OECD countries.

The demand for dairy products is expected to increase at a rapid rate in the Asian countries. Changing food habits will have an important role to play in the increase in the demand for the dairy production in the Asian market. In the times to come, demand will more for products which are high in poly unsaturated fatty acids, more proteins & lactose. Specifically, dairy products are more popular in south Asia & there demand is likely to grow at a faster rate than any other animal products. Cheese & whey based products will be in the commanding position, thereby replacing fat based products in South & East Asian market.

In China, due to rapidly increasing consumption & the likelihood of inadequate supply growth, it is expected that the country will continue to increase its imports of dairy products to meet its domestic demand. Projections show that China's imports of dairy products may approach 30% of its total domestic consumption. Due to differences in regional income & population growth rates, increase in dairy products consumption may occur especially in central & coastal areas, where potential trade opportunities may exist.

Conclusion –

The exports of dairy products from India are increasing. The Asian countries are the major destination for exports. In recent years, India has found some new markets in South & East Asia & in Gulf regions. China, Korea, Lebanon, Myanmar, Israel & Iran are the new & emerging markets. Considering the size of these markets, particularly of China, India has a great export potential in these markets. Skim Milk Powder, Whole Milk Powder, Milk food for babies, Butter & ghee are the main products of Indian basket of dairy exports. India needs to diversify product range to capture the new markets as the food habit patterns is changing rapidly in south & east Asian markets. Although, India has made some effort to diversify exports towards products like whey based products, dairy spreads, Butter oil, processed & powdered cheese & fermented products, but efforts need to modify these product lines.

Only 15-20% of the milk products in the country flows through the organized sector & the production of value added dairy products is low & this poses a supply constraints on Indian dairy exports. Besides supply constraints, quality is also hindrance. Indian products are price competitive in several markets but are not preferred due to the poor quality. Therefore, it is imperative that India improves its image as a reliable & consistent supplier of safe & quality products.