

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

Voluntary Public

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India

Post: New Delhi

Dairy Export Ban Lifted- SMP TRQ Revised

Report Categories:

Dairy and Products
Trade Policy Monitoring
FAIRS Subject Report

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Report Highlights:

On November 22, 2012, the Government of India lifted its ban on the export on milk and cream, concentrated and/or sweetened milk and cream, whole milk powder, dairy whitener and infant milk foods. On Nov 21, 2012, the Government of India revised its tariff rate quota on skim milk powder to permit imports up to 10,000 MT at a 15 percent tariff rate. Post believes these actions will have little effect on trade.

General Information:

India Allows Whole Milk Powder Exports, Sets Tariff Rate Quota for Skim Milk Powder Imports

On November 22, 2012, the Government of India (GOI) lifted its ban on the export of dairy products falling under HS code 0402. This includes milk and cream, concentrated and/or sweetened milk and cream, whole milk powder, dairy whitener and infant milk foods. Industry sources state that this action will have little consequence on trade, as the majority of India's dairy product exports are skim milk powder (SMP) and casein, both of which were permitted for export on June 8, 2012.

On November 21, 2012, India revised its tariff rate quota (TRQ) on dairy products falling under harmonized system (HS) code 040210 and 04022100 (SMP). Under the notified TRQ, India will permit imports up to 10,000 metric tons (MT) of SMP per fiscal year at a tariff rate of 15 percent. Quantities above 10,000 MT will incur a 60 percent tariff. During fiscal year 2011/12, India permitted imports up to 50,000 MT under the TRQ at zero duty. India's fiscal year runs April through March.

On Again Off Again Dairy Imports and Exports

Dairy exports were embargoed on February 18, 2011 in response to the Government of India's concerns over domestic food inflation pressures. By June 2012, SMP stocks had grown, driving down prices and causing some local milk processors to threaten to stop procuring milk. As a result, the embargo was partially lifted on June 8, 2012, allowing the export of SMP. Despite opening the market for SMP and casein, exporters report they were unable to sell significant volumes due to price constraints and buyers' lack of confidence in India as a reliable supplier. Recognizing that stocks remain high at the beginning of India's flush production season, the export embargo was completely lifted on November 1 (allowing whole milk powder, etc. for export). Given that India exports little whole milk powder and that importers are hesitant to buy from India, the export policy change appears to be of little consequence.

India's dairy import policy, like exports, changes frequently to adapt to market conditions and local political scenarios. In the case of SMP imports, the GOI varies the quantity allowed under India's TRQ and has dropped the duty to zero when domestic production was insufficient. Given India's excess SMP stocks under current market conditions, the GOI has set the SMP TRQ for Indian Fiscal Year 2012/13 at 15 percent duty (up to 10,000 MT). Previous year SMP imports were allowed up to 50,000 MT at zero duty.

Dairy Producers Face Distribution Challenges

Strong producer prices and government incentives have helped increase Indian milk production and have attracted new investment to dairy processing. Despite strong investment and growing procurement, India still faces fluid milk distribution challenges (with the exception of some Indian dairy cooperatives). Given that demand growth is being driven by the fluid milk category, one of the most important challenges in India is delivering fluid milk to consumers at a competitive rate. Industry sources indicate that with an unstable export market and a highly competitive informal sector, new entrants to the dairy industry are challenged to find a remunerative market for their efforts. As a result, processors are producing increasing quantities of SMP as they struggle to serve the fluid milk market.

Stocks Will Remain Unchanged

Industry sources forecast SMP stocks to remain unchanged over the next six months, at approximately 150 thousand metric tons. In addition to the upcoming flush production season, producers face weak export prospects due to export policy uncertainty. With strong forecasted production and large stocks, questions are rising on the short term stability of new dairy investment in India.

Details on the Public notice: Public Notification No. 25 (RE – 2012)/2009-2014

Publication Date: November 22, 2012

Effective Date: November 22, 2012

Products Affected: Products falling under HS Code 0402, including milk and cream, concentrated or containing added sugar or other sweetening matter including whole milk powder, dairy whitener and infant milk foods.

Agency in Charge: Directorate General of Foreign Trade, Department of Commerce, Ministry of Commerce and Industry, Government of India.

Proposed Changes: See appended public notice.

(To be Published in the Gazette of India Extraordinary Part-II, Section - 3, Sub-Section (ii))

Government of India
Ministry of Commerce & Industry
Department of Commerce
Udyog Bhawan

Notification No. 25 (RE – 2012)/2009-2014
New Delhi, Dated : 22nd November, 2012

Amendment in policy for export of Milk Powders including Whole Milk Powder, Dairy Whitener and Infant Milk Foods.

S.O. (E) In exercise of powers conferred by Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No. 22 of 1992) read with Para 2.1 of the Foreign Trade Policy, 2009-2014, the Central Government, with immediate effect, makes an amendment in Column 4 (Export Policy) in Serial Number 38 in Chapter 4 of Schedule 2 of ITC (HS) Classification of Export & Import Items. The existing entry “Prohibited” is substituted by the entry “Free”. Accordingly, the amended table in respect of Serial Number 38 would be as under:

S.No.	Tariff Item HS Code	Item Description	Export Policy	Nature of Restriction
38	0402	Milk and Cream, concentrated or containing added sugar or other sweetening matter including Whole Milk Powder, Dairy Whitener and Infant Milk Foods	Free	

2. Effect of this notification:

Export of all items under Tariff Item HS Code 0402 is now free. There is no change in the policy regarding export of Skimmed Milk Powder [HS Code 04021010], which continues to be free.

(Anup K. Pujari)
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(Issued from File No. 01/91/180/1237/AM'07/PC-III/Export Cell)

Details on the Public notice: Notification No. 59/2012-Customs

Publication Date: November 21, 2012

Effective Date: November 21, 2012

Products Affected: Products falling under HS Code 040210 and 04022100, including skim milk powder.

Agency in Charge: Central Board of Excise and Customs, Department of Revenue, Ministry of Finance, Government of India.

Proposed Changes: See appended public notice.

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II, SECTION 3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE

(DEPARTMENT OF REVENUE)

New Delhi, dated the 21st November, 2012

Notification No. 59/2012-Customs

G.S.R. 836(E). - In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 12/2012-Customs, dated the 17th March, 2012, published in the Gazette of India, Extraordinary, *vide* number G.S.R. 185(E), dated the 17th March, 2012, namely:-

In the said notification, in the Table, for serial No. 7 and entries relating thereto, the following shall be substituted, namely:-

"7.	040210 or 04022100	Goods up to an aggregate of ten thousand metric tonnes of total imports of such goods in a financial year.	15%	-	1".
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[F.No.354/94/2012 –TRU]

(Akshay Joshi)

Under Secretary to the Government of India

Note: - *The principal notification No.12/2012-Customs, dated the 17th March, 2012 was published vide number G.S.R. 185(E), dated the 17th March, 2012 and was last amended by notification No.55/2012-Customs, dated the 18th September, 2012 vide number G.S.R. 698(E) dated the 18th September, 2012.*