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Report Highlights:

India's marketing year (MY) 2022 (January-December) fluid milk production is forecast higher at 203.5 million metric tons (MMT) based on a relatively normal June-September monsoon season. Anticipating strong prices and modest export demand, butter exports will rise to 15,000 metric tons (MT), 36 percent higher than the revised estimated export figure of 11,000 metric tons (MT) for MY 2021. With the same assumptions, skimmed milk powder (SMP) exports are forecast to increase to 20,000 MT, 11 percent higher than the revised estimated figure for MY 2021. Butter and SMP estimated export figures have been revised to match with trade data. Since milk production is growing in tandem with domestic consumption, any uptick in future demand for milk-based products may lead to a general expansion in dairy imports.

EXECUTIVE SUMMARY

FAS New Delhi (Post) forecasts India's fluid milk production in market year (MY) (January-December) 2022 at 203.5 million metric tons (MMT), up 2 percent from the U.S. Department of Agriculture (USDA) official MY 2021 figure of 199 MMT. Approximately, 46 percent of the milk produced is consumed either at the producer level or sold to consumers in rural areas. [Note that as the marketing year and calendar year are the same, only the year will be cited henceforth].

Fifty-four percent of milk production is marketed through milk cooperatives and/or unorganized players such as milkmen, and contractors. India's five largest milk-producing states, accounting for over half of the national production, include Uttar Pradesh (16 percent), Rajasthan (13 percent), Madhya Pradesh (9 percent), Andhra Pradesh (8 percent), and Gujarat (7 percent). Forty-nine percent of India's milk production comes from water buffalos: 35 percent from indigenous water buffalos and 14 percent from non-descript buffalos (i.e., animals not selected or bred for milking purposes). The state of Uttar Pradesh holds 33 percent of India's water buffalo herd, followed by Rajasthan (12.5 percent) and Madhya Pradesh (10 percent).

FAS New Delhi forecasts India's fluid milk consumption in 2022 at 85 MMT, up by 2.5 percent from the USDA official MY 2021 figure of 83 MMT. Post attributes this increase to rising population numbers, along with greater product affordability and availability in the retail and foodservice sectors. Indians are turning, in increasing numbers, to the consumption of milk in the pursuit of higher protein intake. India today is just not only the global leading milk producer, but it has also become the largest consumer of milk.

Post forecasts India's 2022 production at 700,000 metric tons (MT), an increase of almost 3 percent above the USDA official 2021 figure of 680,000 MT. This increase is attributable to anticipated stronger prices and increased export demand. Increased demand for reconstituted milk and consistent exports of skimmed milk powder (SMP) are the major drivers supporting increased production. The SMP market is accustomed to the Indian procurement system, with its predictable remunerative cash flow. However, it is slowly developing a marketing network for high-value perishable goods. Post forecasts India's 2022 butter production coming in at 6.5 MMT. The increase results largely from improving incomes, that are leading to an uptick in domestic demand for butter.

FAS New Delhi forecasts India's SMP consumption in 2022 at 694,000 MT, up by 2.5 percent from the earlier USDA official 2021 estimate figure of 680,000 MT. Similarly, butter is forecast at 6.4 MMT, up by about 3 percent from the MY 2021 estimate of 6.2 MMT. Post is revising its 2021 estimate figure to 6.289 MMT to better match up with the domestic market situation.

India exports minimal quantities of dairy and dairy products. Exports are low given high domestic consumption. Post does foresee, nonetheless, an uptick in exports in 2022, forecasting India's SMP exports to total around 20,000 MT, up by 33 percent from the USDA official 2021 estimate of 15,000 MT. Post is revising its SMP 2021 estimate to 18,000 MT to better account for revised trade data.

India's main dairy product imports include milk albumin (such as concentrates of two or more whey proteins), lactose and lactose syrup, infant food preparation, casein, ice cream, edible ice (e.g., additives), and cheese. The United States, France, Thailand, Singapore, New Zealand, and the Netherlands remain some of India's key suppliers. Post forecasts negligible imports of SMP and butter in 2022, largely due to growing domestic production. Historically, India has imported limited quantities of milk powder and butter, and this trade is a function of domestic output, i.e., whether production is largely sufficient, or some imports are needed for to limit inflation.

COMMODITIES:

FLUID MILK

Table 1. India: Commodity, Dairy, Milk, Fluid Production, Supply and Distribution

Dairy, Milk, Fluid Market Year Begins	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Cows In Milk (1000 HEAD)	56450	56450	58000	58000	0	59800
Cows Milk Production (1000 MT)	93800	93800	96000	96000	0	98000
Other Milk Production (1000 MT)	101000	101000	103000	103000	0	105500
Total Production (1000 MT)	194800	194800	199000	199000	0	203500
Other Imports (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	194800	194800	199000	199000	0	203500
Other Exports (1000 MT)	10	10	10	10	0	10
Total Exports (1000 MT)	10	10	10	10	0	10
Fluid Use Dom. Consum. (1000 MT)	81000	81000	83000	83000	0	85000
Factory Use Consum. (1000 MT)	113790	113790	115990	115990	0	118490
Feed Use Dom. Consum. (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	194790	194790	198990	198990	0	203490
Total Distribution (1000 MT)	194800	194800	199000	199000	0	203500

PRODUCTION

FAS New Delhi (Post) forecasts India's fluid milk production in MY 2022 at 203.5 MMT, up 2 percent from the USDA official 2021 figure of 199 MMT. Assuming a normal June-September 2022 monsoon season, along with sufficient feed availability, dairy cattle and water buffalo milk productivity stands to increase. India's growing population, coupled with rapid urbanization and improving incomes is spurring demand for milk and milk products in the out-year.¹

Milk Production Grows: Indian milk production has steadily grown over the course of the past 40 years. India has progressed from acute milk shortages to become the world's single largest milk producer, and presumably no longer suffers from shortages. It has eclipsed other major producers such as the United States, China, Pakistan, and Brazil. It is foreseen that Indian milk production will increase to about 330 MMT between 2032-2033.² Milk supply by then will outpace demand by roughly 38 MMT. High production volumes allow for increased Indian milk consumption. India's per capita milk consumption at 406 grams (g)/day (2019-2020), already exceeds the world average of 305 g/day (2020).

Dairy Producers: Roughly 500 million Indians depend on livestock rearing.³ Reportedly, there are some 80 million households engaged in dairy farming as their main source of income. The majority are small-scale, marginal farmers that often lack title to grazing fields.⁴

¹ India's population of 1.33 billion, with a median age of 28.7 years is growing at 1.04 percent per annum (Central Intelligence Agency, July 2021 estimate).

² [Niti Aayog Report 2018: Demand and Supply Projections Towards 2033.](#)

³ See, [2018 FAO Report – India: Increasing Demand Challenges the Dairy Sector.](#)

Dairy farming startup costs are lower than those associated with seasonal planted crops. Nonetheless, with 95 percent of India's milk producers only having herd sizes of one-to-five animals, these producers remain mired essentially at subsistence levels.⁵ Larger dairy farms come in at around 50 or more animals; the number of these larger farm operations is increasing in the dairy production states of Punjab, Gujarat, Maharashtra, and Telangana/Andhra Pradesh.

Milk Production and Supply: Approximately, 46 percent of the milk produced is consumed either at the producer level or sold to non-producers in rural areas.⁶ Fifty-four percent of milk production is marketed through milk cooperatives and/or unorganized players such as milkmen and contractors. India's five largest milk-producing states, accounting for over half of the national production, include Uttar Pradesh (16 percent), Rajasthan (13 percent), Madhya Pradesh (9 percent), Andhra Pradesh (8 percent), and Gujarat (7 percent).

The relative share of milk from cows is growing compared to that from water buffalo. The latest Indian Livestock Census (2019) highlights the share of milk from cows having grown to 48 percent, up by 3 percent compared to the previous 2012 census numbers. On the medium-to large dairy farms, more milk is being produced from foreign (temperate climate) introduced breeds and crossbreeds.⁷

Dairy cattle production is largely concentrated in a handful of states. The three Indian states of West Bengal, Uttar Pradesh, and Madhya Pradesh account for about 30 percent of national dairy cattle production numbers. These are followed by the states of Bihar (8 percent), Maharashtra (7 percent), and Rajasthan (7 percent). These six states represent over half of India's total dairy cattle population.

Forty-nine percent of India's milk production comes from water buffalos, 35 percent from indigenous water buffalos and 14 percent from non-descript buffalos (i.e., animals not selected or bred for milking purposes). The state of Uttar Pradesh holds 33 percent of India's water buffalo herd, followed by Rajasthan (12.5 percent), and Madhya Pradesh (10 percent).

India's small dairy farmers favor water buffalos, which produce milk with a higher fat content (7-8 percent) and are better adapted to Indian climatic conditions. Water buffalo milk often benefits from higher market prices. Indian milk prices paid are determined by volume, fat, and solids-not-fat (SNF) content.

Water buffaloes may be sold for slaughter throughout India. Dairy cattle slaughter, however, is banned in most states; unproductive/spent cows and bulls are normally abandoned.

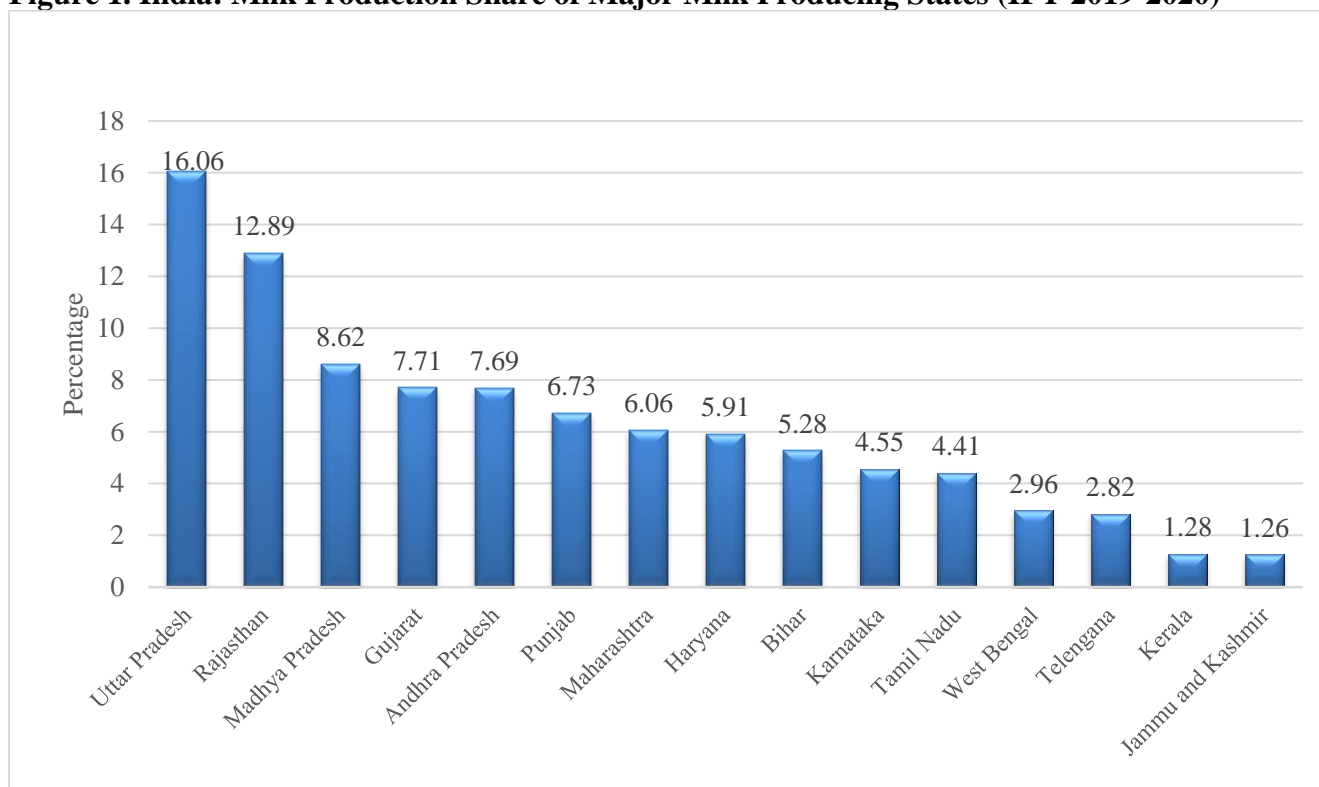
⁴ Eighty-six percent of Indian farmers are classified as small-scale, marginal farmers. Only forty-seven percent of which own the lands that they farm. These own about 75 percent of the milch animals (i.e., dairy cows kept for milking purposes).

⁵ [Department of Animal Husbandry and Dairying.](#)

⁶ [Department of Animal Husbandry and Dairy - Annual Report 2020-21.](#)

⁷ Among various dairy breeds of the world, Holstein Friesian and Jersey breeds have been identified as the most suitable for cross breeding in India. The Jersey breed is known for the milk fat percent and Holsteins for the high quantity of milk.

Figure 1. India: Milk Production Share of Major Milk Producing States (IFY 2019-2020)



Source: Department of Animal Husbandry and Dairying - [Animal Husbandry Statistics, 2020](#).

Factors Affecting Milk Productivity: Factors limiting dairy cow productivity include the low genetic potential of Indian bovines, limited nutritious and balanced feed rations, and inadequate veterinary services. India’s latest national estimates (2019-2020) place the average milk yield per animal per day markedly lower than those found in the United States (30 kg/day) and the United Kingdom (22 kg/day).

Foreign Breeds (kg/day)	Crossbred Cows (kg/day)	Indigenous Cows (kg/day)	Non-Descript Cows (kg/day)	Indigenous Buffalo (kg/day)	Non-Descript Buffalo (kg/day)	Goat (kg/day)
11.88	8.09	3.90	2.57	6.43	4.51	0.44

Source: Department of Animal Husbandry and Dairying - [Annual Report 2020-2021](#).

Fodder availability is a major constraint for India’s dairy sector. Access to better feeds and fodders would help enhance dairy animals’ milk productivity. A study by the Indian Grassland and Fodder Research Institute indicates that for every 100 kilograms (kg) of feed required, India is short 23.4 kg of dry fodder, 11.2 kg of green fodder, and 28.9 kg of concentrated feed. By 2050, India’s demand for forage is anticipated to grow by 24 percent. Access to quality green forage will increasingly be essential for sustaining growth in the livestock and dairy sectors.

The Indian government’s National Livestock Mission on Fodder and Feed Development seeks to do away with the feed and dry fodder deficit confronting producers. Of India’s total cultivated area, only 4 percent is dedicated to forage cultivation. However, this area is not expected to increase in the short-term due to competing uses of the land for the cultivation of food and other cash crops. Limited fodder production area restricts compound cattle feed use to 8-10 MMT, while the actual total dairy feed requirement is 80 MMT.

Milk Collection and Food Safety: Most of the private and cooperative dairies do not have separate collection systems for cow and water buffalo milk. Packaged milk products are mostly a mix of the two, and only a few processors market pure cow milk.

Milk collection from India's predominantly small-sized dairy farms is a huge challenge, requiring significant investment in infrastructure and procurement systems. Food safety also remains difficult, since a significant volume of India's total milk production is handled and marketed by small vendors. These often suffer from limited exposure to efficient milk handling methods/systems and lack the capital or incentives to comply with food safety regulations which would increase their production costs.

CONSUMPTION

FAS New Delhi forecasts India's fluid milk consumption in 2022 at 85 MMT, up by 2.5 percent from the USDA official 2021 figure of 83 MMT. Post attributes this increase to rising cow population numbers, in line with the expansion of dairy farming, along with greater product affordability and availability in the retail and foodservice sectors.⁸ Indians are turning, in increasing numbers, to the consumption of milk in the pursuit of higher protein intake.

Today India is not only the global leading milk producer, but it has also become the largest consumer of milk. Along with pulses, milk and dairy products are Indian consumers' (especially for the large vegetarian population) major source of protein. With the current flush season, Post expects milk supply in 2021 will increase and should easily meet seasonal demand.

Production and Consumption Patterns: India's milk and dairy production and consumption patterns vary across the 29 states and eight union territories. Five states alone account for over half of the country's dairy products' consumption: Uttar Pradesh (19 percent), Rajasthan (9 percent), Gujarat (8 percent), Maharashtra (7 percent), and Bihar (7 percent).

According to the Department of Animal Husbandry and Dairying (DAHD), per capita milk availability in Indian Fiscal Year (IFY) 2019-2020 (April-March) (latest available figures) was 406 g/day, with fluid milk production coming in at 198.4 MMT. Most Indians consume dairy products. Dairy alternatives such as oat and almond milk, in addition to camel and goat milk, are primarily a newer urban phenomenon. Sales of dairy alternatives are largely in a nascent stage, finding a market largely among health-conscious consumers and those seeking greater quality and convenience products.

Demand Drivers: A key Indian demand driver for fluid milk consumption are India's demographics. About a third of the national population is under 14 years-of-age, a cohort inclined to consume higher quantities of milk. Dual income households, rapid digitization of commerce (e-platforms), increasing disposable incomes, growing urbanization, changing consumer lifestyles, and other demographic shifts are helping to pump up demand for processed, value-added dairy products. India's growing organized retail sector is driving value added dairy product sales with 15-20 percent annual growth. Smaller packaged dairy products are being aggressively marketed for the second and third tier markets to deepen a brand's penetration and increase the volume in the country. The increasing numbers of players in the dairy sector are focusing more on the untapped opportunity for growth in semi-urban and rural regions.

⁸ The lack of authorized cattle slaughter (for religious reasons) also results in greater numbers of animals remaining within the national herd over extended periods of time.

Milk Distribution and Processing: India's installed milk processing capacity is 66.3 million liters/day in Indian dairy cooperatives, 73.3 million liters/day in private sector companies, and 2.5 million liters/day at producer companies.⁹ Unlike the unorganized milk sector, these companies have wide procurement and distribution networks, which include village-level milk collection and chilling centers. The milk collected at these centers is processed in dairy plants, which involves pasteurization, standardization, branding, packaging, and preparation of certain value-added products. Of the total Indian milk production, an estimated 48 percent is either consumed at the producer level or sold to small outlets in rural areas, with the remaining 52 percent earmarked for processing for sale to urban consumers.¹⁰

TRADE

Exports: FAS New Delhi forecasts India's exports of fluid milk in 2022 at 10,000 MT, unchanged from the USDA official 2021 estimate of 10,000 MT. India's exports of fluid milk are minimal. Despite its high production, India is not a significant exporter of fluid milk.

Imports: India does not import fluid milk. FAS New Delhi does not foresee India importing fluid milk anytime soon.

PRICE DATA

Fluid Milk Prices: The farm gate prices offered to dairy farmers by state-level dairy cooperatives set the benchmark prices that private dairies follow. In determining farm gate prices, dairy cooperatives factor in feed and fodder cost increases in addition to other input costs. A few of the Indian state governments provide financial subsidies to dairy cooperatives, helping farmers obtain more profitable milk prices. Industry sources indicate that 2021 cow milk procurement prices are set at Indian rupees (INR) 30-32/liter (U.S.\$0.40-S. \$0.43); buffalo milk procurement prices are being set at INR 40-42/liter (U.S.\$0.54-\$0.56).

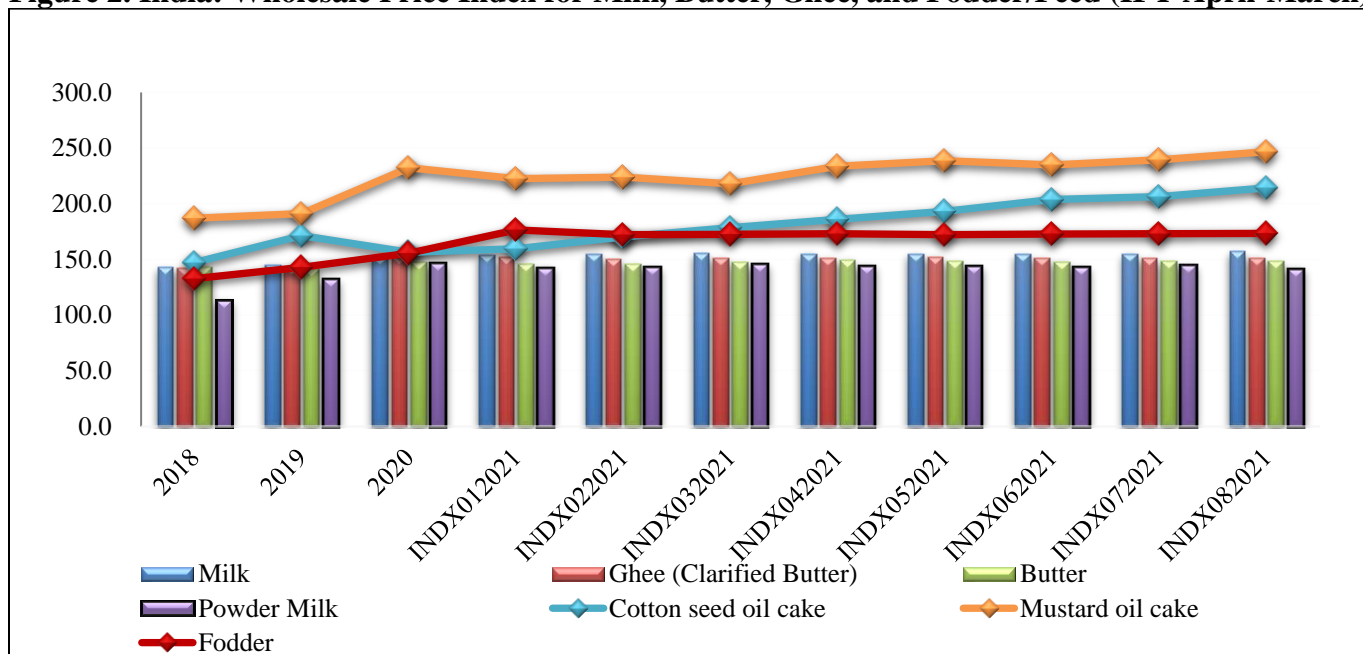
Milk is an essential commodity, the supply of which is deemed a crucial service. Milk availability remained steady notwithstanding the COVID-19 induced economic disruption of the past year and a half. India's milk flush season (October 2020-April 2021) was extended from April through May 2021 due to the COVID-19 second wave, to ensure milk availability during new COVID lockdowns.

The milk wholesale price index (WPI) rose just 1.3 percent April-August 2021, while that of *ghee*, butter, and powdered milk declined marginally. India's Fodder Price Index stood firm during the same period. At the same time, the cottonseed and mustard oil cake indices grew around 6 percent due to tight supply and strong animal feed demand (Figure 2). The India national average consumer retail price of milk ranged from INR 48.08/liter (U.S. \$0.64) in January 2021 to INR 49.22/liter (U.S. \$0.66)/liter through mid-September.

⁹ Source: Indian Dairy Vision-2022. National Action Plan for Dairy Development.

¹⁰ Department of Animal Husbandry and Dairying.

Figure 2. India: Wholesale Price Index for Milk, Butter, Ghee, and Fodder/Feed (IFY April-March)



Note: Indian Fiscal Year (IFY).

Source: Ministry of Commerce and Industry/Office of Economic Adviser.

Marketable Surplus: Of the 52 percent of dairy production that is processed, about 40 percent of the sales are handled by the organized sector, with 20 percent cooperatives and producer companies, and the 20 percent private dairies. The remaining 48 percent is handled by the unorganized sector consisting of small private dairy, milkmen, and local producers. Among dairy products, the market for packaged milk is one of the faster growing segments, followed by various value-added dairy products. It is marketed as pasteurized milk, either as a mix of cow and buffalo milk or in pure form, in various percentages of fat content

Concerns about milk safety and quality drive strong demand for packaged, ultra-high temperature (UHT) milk, which is sold in aseptic (sterilized) packaging which provides a longer shelf life. By 2022, the Indian government's National Action Plan for Dairy Development aims to double organized milk production from the current 20-21 percent to 41 percent. Milk handling (i.e., production) by cooperatives is being targeted to increase from 10 to 20 percent, and the private sector from 10 to 30 percent. If these goals are achieved, it would give Indian dairy farmers greater access to the organized milk processing sector and ultimately higher incomes.

POLICY

The Department of Animal Husbandry and Dairying, which is part of India's Ministry of Fisheries, Animal Husbandry and Dairying, is responsible for livestock production, preservation, and livestock improvement. The DAHD assists and advises state governments in matters of animal husbandry and dairy development. The department's focus area encompasses infrastructure development for improving animal productivity, improving value-chains, and maintaining superior germplasm at livestock rearing farms. It supports the state governments in implementing national control programs for animal diseases, such as for foot-and-mouth disease (FMD) and Brucellosis, as well as monitors animal diseases nationwide through a web-based national disease reporting system.

Cattle Development Programs: The DAHD, through the Rashtriya Gokul Mission, is developing and conserving indigenous bovine breeds (*Tharparkar, Gir, Red Sindhi, Rathi, Deoni, and Sahiwal*). It seeks to increase the genetic potential of the unregistered bovine population (non-descript cattle) and improve milk productivity. The department also supports the local state governments in subsidizing the cost of animal insurance for milk producers.

The National Animal Disease Control Program (NADCP) was launched in September 2019 for the control and eradication of FMD and Brucellosis. On May 31, 2019, the program was approved by India's Union Cabinet, and has been allocated a central (federal) funding and financial outlay of INR 133 billion over five years, commencing in IFY 2019-2020 and running through IFY 2023-2024. It seeks to vaccinate the entirety of the cattle, buffalo, sheep, goat, and pig populations, as well as all bovine female calves of four-to-eight months of age for Brucellosis.

Dairy Development: The National Dairy Development Board (NDDB) has developed an Information Network for Animal Productivity and Health (INAPH). This is an information technology application that collects data on breeding, nutrition, and health services. The animals registered in the network are ear-tagged with a unique identification number.

The Indian government through its dairy development plans is strengthening domestic dairy production infrastructure, in addition to bettering the procurement, processing, and marketing of milk and dairy products. These government plans include:

- **The National Program for Dairy Development (NPDD):** The NPDD aims to strengthen milk production, procurement, processing, and marketing by the state's implementing agency.
- **The NDP Phase-2 (Mission Milk):** The five-year program, which began in 2020, focuses on developing milk processing infrastructure and basing milk quality testing equipment at critical procurement points.
- **Dairy Entrepreneurship Development Scheme (DEDS):** The DEDS is being implemented through the National Bank for Agriculture and Rural Development (NABARD). It aims to better opportunities for self-employment and infrastructure development in the dairy sector.
- **Scheme to Support to Dairy Cooperatives and Farmer Producer Organizations:** The NDDB implemented program provides soft loans (working capital) to state dairy cooperatives, facilitating stable market access to dairy farmers while ensuring timely payments and profitable prices for procured milk.
- **Dairy Processing and Infrastructure Development Fund (DPIDF):** The DPDF provides funding for modernizing milk processing facilities that seek to manufacture high value-added milk products.

The issue of ensuring the availability of safe, wholesome, and high-quality food (including milk and dairy products) is regulated by the 2006 Food Safety and Standards Act. It is implemented by the Food Safety and Standards Authority of India (FSSAI) and regulated at the local state level by food safety commissioners. The DAHD, along with the NDDB and the state milk federations, regularly reviews and assesses the Indian milk supply. Concerns raised and actions taken on issues such as milk adulteration are reviewed in consultation with the Food Safety and Standards Authority of India.

Food Safety Programs: To improve fluid milk product quality and food safety, the Indian government continues implementing the Strengthening Infrastructure for Quality and Clean Milk Production program (INR 300 million). The program seeks to address food safety issues at the farm and village level to improve milk quality throughout the supply chain. The Ministry of Food Processing Industries is providing subsidies for cold chain infrastructure.

COMMODITIES:

MILK, NONFAT DRY (SKIMMED MILK POWDER) BUTTER

**Table 2. India: Commodity, Dairy, Milk, Nonfat Dry
Production, Supply and Distribution**

Dairy, Milk, Nonfat Dry Market Year Begins	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Beginning Stocks (1000 MT)	42	42	62	62	0	44
Production (1000 MT)	660	660	680	680	0	700
Other Imports (1000 MT)	1	1	0	0	0	0
Total Imports (1000 MT)	1	1	0	0	0	0
Total Supply (1000 MT)	703	703	742	742	0	744
Other Exports (1000 MT)	5	6	15	18	0	20
Total Exports (1000 MT)	5	6	15	18	0	20
Human Dom. Consumption (1000 MT)	636	635	680	680	0	694
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	636	635	680	680	0	694
Total Use (1000 MT)	641	641	695	698	0	714
Ending Stocks (1000 MT)	62	62	47	44	0	30
Total Distribution (1000 MT)	703	703	742	742	0	744

**Table 3. India: Commodity, Dairy, Milk, Butter
Production, Supply and Distribution**

Dairy, Butter Market Year Begins	2020		2021		2022	
	Jan 2020		Jan 2021		Jan 2022	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
India						
Beginning Stocks (1000 MT)	0	0	0	0	0	0
Production (1000 MT)	6100	6100	6300	6300	0	6500
Other Imports (1000 MT)	1	0	2	0	0	0
Total Imports (1000 MT)	1	0	2	0	0	0
Total Supply (1000 MT)	6101	6100	6302	6300	0	6500
Other Exports (1000 MT)	20	16	15	11	0	15
Total Exports (1000 MT)	20	16	15	11	0	15
Domestic Consumption (1000 MT)	6081	6084	6287	6289	0	6485
Total Use (1000 MT)	6101	6100	6302	6300	0	6500
Ending Stocks (1000 MT)	0	0	0	0	0	0
Total Distribution (1000 MT)	6101	6100	6302	6300	0	6500

PRODUCTION

FAS New Delhi forecasts India's 2022 skimmed milk powder (SMP) production at 700,000 MT, an increase of almost 3 percent above the USDA official 2021 figure of 680,000 MT. Post attributes the increase to expected stronger prices and increased export demand. Increased demand for reconstituted milk and consistent exports of SMP are the major drivers supporting increased production. The SMP market is accustomed to Indian

procurement system, with its predictable remunerative cash flow. However, it is slowly developing a marketing network for high-value perishable goods.

Post forecasts India's MY 2022 butter production coming in at 6.5 MMT. The increase results largely from improving incomes that are leading to an uptick in domestic demand for butter.

CONSUMPTION

FAS New Delhi forecasts India's SMP consumption in 2022 at 694,000 MT, up by 2.5 percent from the earlier USDA official 2021 estimate figure of 680,000 MT. Similarly, butter is forecast at 6.4 MMT, up by about 3 percent from the 2021 estimate of 6.2 MMT. Post is revising its 2021 estimate figure to 6.289 MMT to better reflect the domestic market situation.

TRADE

Export: India exports minimal quantities of dairy and dairy products. Exports are low given high domestic consumption. Post does foresee, nonetheless, an uptick in exports in 2022; forecasting India's SMP exports to reach around 20,000 MT, up by 33 percent from the USDA official 2021 estimate of 15,000 MT. Post is revising its SMP 2021 estimate to 18,000 MT to better account for revised trade data.

India exports surplus SMP to Bangladesh, Bhutan, Nepal, Afghanistan, the United Arab Emirates, Malaysia, and the Middle East countries. Butter exports in 2022 are forecast at 15,000 MT, 36 percent higher than the revised 2021 export figure of 11,000 MT. There are strong indications that India's trading partners are poised to absorb a greater volume of Indian product. India exports value-added dairy products such as butter, butterfat, infant food preparations, cheese (e.g., cheddar and Colby), milk powder, lactose, dairy spreads, and milk albumin.

Imports: India's main dairy product imports include milk albumin (such as concentrates of two or more whey proteins), lactose and lactose syrup, infant food preparation, casein, ice cream, edible ice (e.g., additives), and cheese. The United States, France, Thailand, Singapore, New Zealand, and the Netherlands are India's key suppliers.

FAS New Delhi forecasts negligible imports of SMP and butter in 2022, largely due to growing domestic production. India historically has imported, milk powder and butter in limited quantities, depending on domestic production being insufficient or when deemed necessary to help control inflation.

January-July 2021 trade data indicates that SMP and butter imports were just 327 MT - 198 MT of SMP and some 129 MT butter (combined value of \$1.5 million). Post foresees SMP imports at no more than 400 MT by December 2021. The United States is India's largest supplier of milk albumin, while both the United States and Netherlands are the largest suppliers of lactose. Thailand leads in the provision of infant food preparations, while France ships whey. The United States and the Netherlands are the key providers of casein and its derivatives, and Italy exports cheeses.

Food use lactose and whey imports must meet all Indian veterinary import requirements. India insists, premised on religious and cultural grounds, that all imports of dairy products be derived from animals which have never been fed any animal feed preparation produced from internal organs, blood meal, and tissues of ruminant origin.

POLICY

India restricts market access for U.S. food products. Imports of most livestock and livestock-derived food products, including several milk and milk products, are banned due to Indian import requirements (see, [GAIN-INDIA - IN2020-0204 – India Exporter Guide - 2020](#)).

India permits imports of SMP/whole milk powder under a tariff-rate-quota (TRQ) of 10,000 MT, with a 15 percent import duty.¹¹ Outside of the TRQ, imports are subject to a 60 percent import duty.

Table 4. India: TRQ for Import of SMP, Butter, and Oils

Description	HS Code	In/Out of quota rate (%) as per WTO	In/Out of quota rate (%) as per Indian tariff	Notifications	TRQ in Metric Tons
Milk and Cream: Skimmed Milk Powder, granule, and solid forms, of fat content by weight no exceeding 1.5% and later exceeding 1.5%	0402.10 0402.21	15/60	15/60	12/12-Cus S.I No.7 and 12/12-Cus S.I No.7	10,000
Butter and Other fats	0405.10	NA	0/30	12/12-Cus S.I No.9	15,000
Butter Oil	0405.9010		0/30	12/12-Cus S.I No.9	
Ghee	0405.9020		0/30	12/12-Cus S.I No.9	
Dairy Spreads	0405.20	NA	0/40	12/12-Cus S.I No.9	15,000
Other	0405.9090		0/40	12/12-Cus S.I No.9	

Note: Harmonized tariff system (HS).

Source: Ref: Para 2.60, Handbook of Procedures, Director General of Foreign Trade.

Eligible Entities for Quota Allocations: Milk powder (HS code 0402.10 or 0402.21) and white butter, butter oil, anhydrous milk fat (HS 0405). Entities include the National Dairy Development Board (NDDB), State Trading Corporation (STC), National Cooperative Dairy Federation (NCDF), National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED), Minerals and Metals Trading Corporation (MMTC), Projects and Equipment Corporation of India Limited (PEC), and Spices Trading Corporation Limited (STCL).

The revised procedures for the export/import of bovine germplasm are available at: [Guidelines Import/Export Bovine Germplasm](#). Imports require multiple approvals at the state and federal level, which restricts trade significantly. The veterinary health certificate for the import of various livestock products is located at: [Animal Quarantine and Certification Services](#). The following links provide information regarding the various sanitary import requirements: [Bovine Semen](#), [Bovine Embryo from the United States](#) and [Bovine Semen from the United States](#), [SOP for traceability of bovine germplasm](#).

Imports of Germplasm: Imports of cattle/buffalo germplasm fall under India's restricted list. These are authorized following a license issued by the Director General of Foreign Trade (DGFT), Ministry of Commerce on the recommendation of the DAHD. The introduction of temperate breeds into India, for crossbreeding with indigenous non-descript cattle, has long been accepted given the strong demand for exotic germplasm.

¹¹ Earlier, in June 2017, the 10,000 MT TRQ was fixed at a 15 percent tariff rate. In February 2020, this provision was deleted from the notification. With the latest Customs notification No. [28/2020](#) (June 23, 2020), the status quo has been restored.

Sanitary Import Permitting: India requires that imported milk and dairy products be accompanied by a DAHD sanitary import permit in addition to a [veterinary health certificate](#) from the exporting country's veterinary authority. Import certification requirements for milk and dairy products are available on the [DAHD website](#).

Commercial Feeds/Feed Materials: On July 14, 2021, the FSSAI extended the compliance date for the guidelines issued for commercial feeds/feed materials (i.e., compounded cattle feed) intended for meat and dairy producing animals. The extension applies to a relatively limited pool of industry stakeholders, who encountered difficulties in obtaining [Bureau of Indian Standards](#) (BIS) certification/licensing during the COVID-19 outbreak's second wave. The new compliance date, for this group, is set for January 1, 2022 (see, [GAIN-INDIA-IN2021-0086 – India's FSSAI Authorizes a Six-Month Extension for Compliance with Commercial Feeds and Feed Materials Standards to Select Industry Stakeholders](#)).

For earlier 2020 notifications pertaining to the import of milk and dairy products, see [GAIN-INDIA-IN2020-0153 – Dairy and Products Annual](#).

Farmer Incentives: According to industry sources, some of the Indian state governments have offered COVID-19 incentive schemes to dairy farmers, however, no public information is available on this matter.

Attachments:

No Attachments