Market Brief India

‘An enormous market with a history of dairy consumption, India is a challenging export market and remains largely self-sufficient in dairy.’

Global Exports to India in 2016/2017
› Rank at #36 in the global dairy market (by volume)
› Destination for 76.1 thousand tonnes of dairy product, worth US $137.6 million in 2016/2017
› Exports to Indonesia have increased by 27.2% on average over the last 5 years
› The biggest volume growth over the last 5 years has been in: Whey Powder (39.1%) and Lactose (26.1%).

Australian Market Share in 2016/2017
› Rank at #13 in the share of the India import volume
› Destination for 52.3 thousand tonnes of Australian dairy product, worth US $120.2 million in 2016/2017.
› Australian exports to India have increased by 13.4% over 5 years

Market Developments
India is the world’s second largest country, with a population of approximately 1.2 billion people. Given the relative youth of the population (approximately 40% of the population are aged under 18), India looks set to overtake China sometime in the 2020s. Ongoing urbanisation combined with consistent increases in income since liberalisation in the early 1990s has seen the emergence of a large middle class with more expensive tastes. Dairy is also an important source of fat and protein for the large vegetarian population in India. India is now the world’s largest producer and consumer of dairy, with companies such as Parag and Amul growing strongly.

However, few exporters have successfully entered the Indian market, with the exception of lactose from the EU and the US. India remains exceptionally protectionist of sensitive agricultural sectors such as dairy and sugar. Aside from high tariffs, various national and state sanitary and phyto-sanitary regulations act as non-tariff barriers to trade. As can be seen from India’s imports, these barriers restrict dairy imports to effectively nothing. Negotiations for the Australia-India Comprehensive Economic Cooperation Agreement have stalled since 2016. Both Australia and India are also participants in the Regional Closer Economic Partnership, a multilateral free trade negotiation including countries from south, southeast and east Asia. Despite these talks, however, most commentators remain pessimistic about the possibility of trade reform in India in the near future.

Over 50% of the Indian labour force is employed in agriculture, which is overwhelmingly small scale and heavily dependent on government support. Given its lack of competitiveness and enormous political influence, any trade reform in agricultural goods will be fiercely resisted by powerful interest groups. Whilst India offers immense potential, it is unlikely to become “another China” in the near future.

Tariff Environment
India maintains high Most Favoured Nation tariffs on dairy imports. These are occasionally removed to correct temporary supply shortages. A summary of tariffs for the six major dairy categories imported by India can be found in Figure 7.*

Key International Marketing Programs and Activities
Dairy Australia has no specific program or activities to promote Australian dairy products in India. Potential exporters are encouraged to contact Austrade for further information.

* Figures shown on the overleaf
**Figure 1** Dairy imports (India)

<table>
<thead>
<tr>
<th>Tariff Category</th>
<th>Product Category</th>
<th>Applied Tariff</th>
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<tbody>
<tr>
<td>04021010</td>
<td>Milk and Cream, concentrated or containing added sugar or other sweetening matter: Skimmed Milk Powder</td>
<td>60%</td>
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<tr>
<td>04022120</td>
<td>Milk and Cream, concentrated or containing added sugar or other sweetening matter: Whole Milk Powder</td>
<td>30%</td>
</tr>
<tr>
<td>04051000</td>
<td>Butter and other fats and oils derived from: butter</td>
<td>40%</td>
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Applied Tariffs are drawn from Integration Point. Where Australia does not have a specific tariff agreement in place, the Applied Rate for qualifying product is the MFN rate. Where a specific tariff agreement exists, the Applied Rate for qualifying product is as per that agreement. The countries with specific agreements in place are: India (CHFTA), Indonesia (AANZFTA), Japan (JAEPA), Korea (KAFITA), Malaysia (MAFTA), Philippines (AANZFTA), Singapore (SAFTA), Thailand (TAFTA), and the USA (AUSFTA).

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