

Foreseeing shortages in milk supplies to cities ahead of the summer season, the Centre has permitted duty-free imports of up to 30,000 tonnes of milk powder and 15,000 tonnes of butter oil.

TRQ regime

The imports are, however, subject to a tariff rate quota (TRQ) arrangement, allowing only certain designated agencies to bring in these goods at nil duty.

Milk powder imports ordinarily attract 60 per cent basic customs duty, while being 30 per cent for butter oil.

Till now, the TRQ regime permitted milk powder imports of up to 10,000 tonnes at a concessional five per cent duty during any financial year (April-March).

But through a recent tariff notification, the Central Board of Excise and Customs (CBEC) has liberalised the in-quota quantity, by trebling it to 30,000 tonnes and also slashing the duty on such imports from five to zero per cent.

Butter oil so far was not covered under TRQ, with all imports uniformly assessable at 30 per cent. But now, even this commodity (which includes white butter and anhydrous milk fat) has been brought under TRQ, with an in-quota duty-free import quantity of 15,000 tonnes.

The CBEC notification, dated March 12, has, however, clarified that the duty-free imports in both cases are subject to “Condition No. 1”. That restricts the imports to those holding TRQ allocation certificates issued by the Directorate General of Foreign Trade (DGFT).

Eligible agencies

In the case of milk powder, the only entities eligible for allocation by the DGFT are the National Dairy Development Board (NDDB) and parastatals including STC, MMTC, PEC and Nafed.

The DGFT has not yet specified the eligible agencies for butter oil, but indications are that here too, only NDDB and the State-owned enterprises would be granted TRQ allocations.

Business Line had incidentally, on February 18, reported the Centre's proposed move to allow duty-free imports of up to 30,000 tonnes of milk powder and 15,000 tonnes of butter oil through NDDB and various cooperative dairies – a decision that has now been formally notified.

Shortfall in Milk procurement

The Centre's latest action come in the wake of dairies, particularly in the North (including NDDB's own subsidiary, Mother Dairy), experiencing shortfalls in milk procurement. The impact of this would be really felt during summer, when animals produce less milk in the natural course.

“They are looking to fill the gap through imported powder and butter oil that can be reconstituted into milk”, sources noted. In other words, a significant proportion of the milk that consumers in and around Delhi would drink in the coming months might be reconstituted material, as opposed to fresh milk.

NDDB is learned to have already contracted, in advance, large quantities of imports of powder and butter oil from New Zealand's Fonterra Dairy and the Irish Dairy Board.

Comparable prices

Imported skimmed milk powder is currently available at about \$2,800 a tonne, which is on par with domestic prices of Rs 130-plus a kg. Butter oil is quoting at \$4,000 a tonne, which works out lower, at around Rs 210 a kg, compared to the Rs 200-225 that dairies here are realising on ghee.

NDDB had, earlier, sought a ban on export of all dairy products – including casein, which enjoys a nine per cent duty entitlement passbook benefit on top – with the matter even being discussed at a Cabinet meeting in January.

But with the Agriculture Ministry said to have opposed the move, the Centre has finally opted for import liberalisation instead of export restrictions.

Source : Business Line