

June 17, 2019

87th Edition of Dairy Pulse (June 01 to June 15th 2019)

Is Indian dairy sector coming of age

Dear friends,

After a long time I found some interesting and in depth news reporting related to Indian dairying in last fortnight. The elections are over and the most favoured Neta (MFN) , Sh Modi ji is again in driving seat. But in bilateral trade ties , US and India both are at loggerhead and have begun the process of disapproving MFN status for each other with USA initialising it earlier this month. Indian stringent stand on Market access for imports of US based dairy products a few weeks back (which we shared in Dairy Pulse also) could also be one of the trigger behind this decision.

I would like to bring in attention of all the readers on following four news :

- a. US cancelling MFN status for Indian products**
- b. Indian Government planning to stop subsidising exports in next 2-3 years in most of the sectors.**
- c. Dairy needs level playing field**
- d. NGT asking FSSAI to identify regulatory provisions to restrict use of plastic in any form including multilayered packaging like Tetrapack**

-Apart from these we had news like

- Fssai approving 19 rapid food testing kits,
- Parag Milk foods touching Rs 160 Crore turnover at their Sonapat Plant,
- Importance of milk fortification as shared by NDDDB,
- KMF supplying cow milk to Delhi Mother Dairy
- Mother Dairy Delhi joining hands with DTC for opening booths at their main bus station,
- Fonterra tied up with Scriber Dynamix to launch new range of products , and many more..

Now let us examine the 4 key news and try to find if there exist a common thread holding them together. All these four news are about future of dairying in India as well as direct us to think deep and question ourselves on whether Indian dairy sector coming of age ?

Are we actually economically ready to take USA head on at bilateral level ? If the answer is yes then we must list down all those areas/products at least from dairy sector which might get affected with this decision.

India plays an important role as a casein exporter to USA and most of the casein manufacturer in India have seen a real bad time (even after making huge investments) when Indian government banned exports of casein few years back. The new government is talking of doubling the farmer's income and at all the conferences exports of agri produce and processed food is considered as the mantra to do so. My concern is whether our policy makers have a clear vision for the future. I am finding them in a sort of hurry and each day we find that a new theory as well as scheme comes up.

The second news is about increasing exports without any subsidy or support in next 2-3 years. This might be a good thought in a situation where Indian rupee is weak and exporters might be making some good money . Our policy makers will have to think and believe of a near future when Rupee may become stronger also. In such circumstances again we will have to review the support strategy for exporters and particularly from processed food/dairy products segments ?

All the above two conditions could still be managed by Indian dairy processor provided there is a level playing field for private sector . Which simply means that all federal support and subsidies for sector and business development in dairying is equitable and inclusive of both private and public sector. Is it really the case ? That makes our third news , as this concern of level playing field has been raised by none other than Chandramogan ji (who is the most progressive dairy reformer from private sector in our times . He has supported very large numbers of start ups as well as inventions for the benefits of farmers in India.

Now regarding the fourth news on milk packaging, I would like to share the following cost data exclusive of gst :

Polypack : Rs 0.8-2/liter depending upon volume of pack

Gable top multilayered primarily made out of paper : Rs 4.50-5 per liter

HDPE jar : Rs 7-8 /liter depending upon volume and weight of pack size

PET bottle : Rs 3.50-Rs 9/liter depending upon volume and weight of pack size

Glass bottle : Considering recycling Rs 3-4/liter but with hygiene hazard related to recycling of packing

Tetra fino pouch : Rs 4-5 per liter

Tetrapack Brick : Rs 7-11/liter depending upon volume of pack

Now under these circumstances let us look at the cost burden at customer end if he shifts from poly pack to any of these packaging as manufacturer would be passing on this burden to customer only.

India consumes close to **5 crore liters (minimum in polypacks) which means current burden on a household at average of 2 liters per day is around Rs 730/annum** and once the packing is shifted for some other combinations (which is again not 100 % environment friendly except glass) then it might **go upto Rs 8030/annum for him** . Now this calculation is for 5 crore litres of milk today and by 2030 it would be for 20 crore litres of milk per day . Now in such case who should take product stewardship for this packaging ? The manufacturer, the customer or the government .

I don't have any answer at this stage but one thing is for sure that the way this packaging issue for milk is under the scanner of regulatory as well as media, we may soon find a **statutory warning on milk packets saying : Milk sold in polypacks is not good for society.**

So Is Indian dairy sector truly coming of age ? we will examine it in our subsequent issues of dairy Pulse.

Please share your insights and comments on this issue and we are thankful to all those who regularly share their views and help us to think better.

Happy e reading

with best regards

--

Kuldeep Sharma
Chief Thinking Officer
Suruchi Consultants (ISO 9001:2008 Company)

+91-120-4320845