



The Big Picture: Dairy Industry & FTA

Recently, India decided against joining the [Regional Comprehensive Economic Partnership \(RCEP\)](#) which is a **Free Trade Agreement (FTA)** between more than a dozen countries. In the run-up to the RCEP meet, the domestic dairy industry has been vocal about its apprehensions regarding this FTA.

- India has been the **leading producer and consumer of dairy products globally** with sustained growth over the years.
- **Estimated production of milk in 2018-19 was 187 million tonnes.**
- The dairy industry and milk hold equal importance to farmers and consumers.
- Milk is a source of liquidity for the farmers. It provides them with ready cash whereas crops fetch them cash only 2-3 times a year.

Dairy Industry's Concerns

- **Employment loss:** The dairy industry is a major source of livelihood providing employment to millions of people at various levels like- **production, procurement, transportation, value addition** etc. and **FTA will harm all** of them.
 - The FTA especially RCEP could have led to **50 million rural people losing their jobs**, which would have pushed up the need for importing milk.
- **Impact on income:** People engaged in the dairy sector and their livelihood would have come under direct threat as they will **not get remunerative prices** in case of a free trade agreement.
- **Threat to domestic dairy market:** If an FTA is signed, the **quality of the product** imported under it remains a concerning issue. The option of cheaper milk and milk products might seem tempting but it is not good for the long run because it will **adversely affect the dairy** industry.
- **Impact on cattle:** Rural families with a **marketable surplus amount of milk will suffer** mainly. If the milk will not have a **market or with very less value, the cattle will be left open** because its maintenance is also expensive.
- **Threat to life security:** Indian farming community is **not a cohesive unit** in itself and **two-thirds of them are either landless or small marginal farmers** so it becomes a more pressing issue for their life security.

New Zealand is an exporter of dairy products and will be eyeing India primarily to sell milk powder and fat products, due to its competitive edge.

- Nearly, 93.4% of New Zealand's milk powder, 94.5% of its butter, and 83.6% of its cheese production got exported in 2018. India's export of milk products does not match up.
- Per animal milk production is very low in India whereas it is high in New Zealand and Australia. The competition will also be sharp owing to high milk yielding breed of cattle in New Zealand and Australia.
 - The milk yield of New Zealand is 13 litres per day where in India, it is 3.5 litres per day.

Measures To Be Taken

▪ By Government

- **Government's efforts** to double farmers income include dairy within agriculture but it needs to **support it differently with more focus and funds** for it.
- While focusing on the dairy industry and farmers, the **interest of the consumers should also be kept in mind** to ensure a win-win situation for both the producers and consumers.
- There has to be a **balance between free trade and import restriction**.
- The government can give **subsidised milk to BPL families** as it does with rice and wheat under the [National Food Security Act](#) which will **solve the problem of food security** as well as **provide a market for milk**.
- People working in the dairy industry **should be provided 8-10% of subsidy** if India wants to compete with the global players.
- The **pricing mechanism** of the dairy industry is not in the favour of farmers so it should be **rectified**.

Steps taken by Government

- For improvement and conservation of our indigenous breeds, the government has launched the [Rashtriya Gokul Mission](#).
- Government is also **promoting our indigenous breeds** and seeking a huge potential in the **A2 milk** (it is a variety of cow's milk that mostly lacks a form of β -casein proteins called A1) market.
- Government has given **export subsidy on milk products** and farmers got good earnings from the **Skimmed Milk Powder (SMP)** exports.
- Government cooperatives as well as private sectors, both are working upon **Artificial Insemination which plays an important role in improving cattle productivity by upgrading the genetic potential, to increase the yield of the milk**.

▪ By Dairy Industry

- Indian dairy industry needs to be **mechanised and modernised to achieve sustainability** in this FTA environment.
- Apart from that, the focus should also be on **increasing the yields** so that India can be a **major player in milk and milk products' exports**.
- After the fulfilment of supplies, **extra milk and milk powder can be subsidised** and distributed to BPL farmers and families.

▪ Other measures

- **Levels of malnutrition** prove that even in villages, all the people do not have access to milk so they **all should be covered** under the schemes.
- Dairy is mainly a **women-led industry** so strengthening it would mean **more opportunities for women** and more avenues for their growth and development.
- The **quality of the milk should be improved** and **value addition** must be done.
 - **Instead of importing** cheese from other countries, India should start manufacturing its own and expand it further to even start exporting.
- **New techniques, training** should be provided to workers in the dairy industry so that they can **work better and look for new innovations**.
- The **increase in the quantity of milk** may help in solving the problem of remunerative prices of milk.
- **Employment should be generated** in villages and already **existing opportunities should be strengthened to stop rural outmigration**.

Way Forward

- **Indian market is vast and the dairy industry needs to take advantage** of it. It should go into the **mass-scale distribution** of milk by encouraging better milk outputs, buying the milk, converting the milk into milk powder and distributing it at a subsidised rate through the National Food Security Act and keep looking for more remunerative options.
- India is the biggest producer as well as the consumer of milk and the **solution lies within the ecosystem only** by making improvement in the quality and quantity of the milk produced and by adding value to it so that both farmers and consumers can benefit.

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