

Budget 2015: Amul hikes condensed milk price, all food stuff likely to become costlier

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Within less than 24 hours of the budget proposal that made it likely that prices of milk products such as butter, ghee and packaged curd would increase, Amul's hiked the price of condensed milk. Although FM spared milk, malted milk food products could become more expensive, as would chocolates and peanut butter.

An excise duty of 2% without CENVAT credit has been levied on condensed milk and peanut butter. Also, milk products have been removed from the list of exemptions from service tax on transportation of 'food stuff' by rail/vessels/road. And service tax rate's been raised to 14% from 12.4%, while excise duty's been hiked to 12.5% from 12%.

Amul has already effected a price hike on its 'Mithai Mate' condensed milk by Rs 3 to Rs 88 for a 400gm tin to factor in the excise levy, R S Sodhi, MD, Gujarat Co-operative Milk Marketing Federation (GCMMF), the maker of Amul, told TOI. On other milk-based products, he said, "We'll consider passing on part of the cost-increase to consumers, as and when we decide on price changes."

Piruz Khambatta, CMD, Rasna, said the move would fuel inflation across board as cost of everything would go up by 2%. "Surprisingly, service tax on freight of food stuff exempted earlier is brought back which will make all food stuff costlier," said Khambatta.

"Expectation was excise and service tax will be reduced to more internationally accepted levels. If the government is truly bullish on growth, why is it not encouraging it by reducing tax and increasing consumption? The agri-food processing industry was expecting huge tax breaks to spur rural demand. Nothing's been announced for the sector with such importance for inclusive growth in rural areas," said Khambatta.