

Weak global prices to bring down Indian dairy exports this fiscal

Amul says its exports could be down by 50 per cent

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With prices of skimmed milk powder (SMP) dipping by almost 40 per cent in the last few quarters, domestic dairy majors feel that exports would dip significantly this fiscal. The country's largest dairy cooperative, Gujarat Cooperative Milk Marketing Federation (GCMMF) says that its exports could be down by almost 50 per cent, while Karnataka's Nandini has not done much exports this year.

GCMMF, which sells milk and [milk products](#) under the [Amul](#) brand, had registered a three-fold rise in its exports in value terms last fiscal to Rs 530 crore, exporting nearly 20,000 tonnes. This year, however, as R S Sodhi, managing director of [GCMMF](#) pointed out, "Powder exports would be very less this year as the international prices are down by almost 40 per cent. Our exports could be down by almost 50 per cent."

Prices of SMP are hovering around Rs 170-180 a kg now in the international market, down from Rs 220 a kg around three months back. Domestic prices are better, say dairy players, around Rs 200-220 a kg now. "However, the international scenario has also impacted the domestic prices, which are down from Rs 250-260 around three months back," said a senior official at the Karnataka Milk Federation (which owns the Nandini brand).

The international prices are down primarily due to oversupply. As R G Chandramogan, managing director of Hatsun Agro Private Ltd, one of the major private dairy players down South explained, "Eastern Europe is in a position to give more milk, the milk quota in the EU would be abolished in 2015, plus higher procurement prices have also ensured better supplies. For example, New Zealand has increased its production. All these factors have contributed to a demand-supply mismatch."

According to the milk quota or dairy produce quota, each EU member state has a national quota which it distributes to its farmers, and whenever a state exceeds its quota, it has to pay a penalty to the EU. With this system abolished, easily 25-30 per cent more milk is expected in the market, further bringing down international prices, feel industry insiders.

Indian dairy majors are therefore focussing more on the domestic market. Chandramogan said that, "We have been anticipating this for a while now, and hence had already increased our focus on increasing branded products sales in India. We will not be a major exporter this year." The company had exported 12,000 tonnes of SMP in 2012-13, bringing that down to

4,500 tonnes in 2013-14, and this year isn't expecting much of exports at all. Instead, it has also brought down the sale of milk as a commodity in the dairy market. Around two years back, nearly 20 per cent of its business was as commodity, which is down to just about 4 per cent now. It has increased the share of branded dairy products to retail customers.

KMF too is keeping itself busy with supplying more milk into the domestic market. "We are implementing a school milk programme this year, according to which nearly 10 million children in Karnataka would get around 150 ml of milk every day. This takes up around six to seven lakh litres of milk every day, and hence, we are not hard-pressed for exports," said a source in the federation.

Amul's Sodhi, however, reasoned that it is eyeing new export markets like Russia, which has recently opened up to Indian dairy exports.

"Russia is a milk deficit country, and import nearly 3-4 lakh tonne every year. We are waiting for their regulatory officials to visit our manufacturing plants and approve them, so that we can start exporting to that country," he said adding that the process is likely to be completed by December.

A dairy analyst pointed out that thanks to high milk inflation, India is hardly competitive for dairy exports. "Only when the international prices are at their peak, we can export, otherwise, we are not very price competitive as such," he said. According to the Agricultural and Processed Food Products Export Development Authority (Apeda), India exported 1,59,228.52 tonnes of dairy products to the world for the worth of Rs 3,318.53 crores during the year 2013-14.