

Impact of GATT on Indian Dairy Sector

R. SENTHILKUMAR

General Agreement on Tariffs and Trade (GATT) is a binding agreement between 116 nations regarding liberalization and globalisation of economy. India is one of the signatory countries in the world. GATT has created excitement as well as uncertainties in the Dairy Industries all over the world, the net results of the adjustments may be evident only by 1999 in the contexts of lowering of national subsidies on milk production and exports as well as opening of domestic markets to imports and removal of market controls. The Food and Agricultural Organization (FAO) envisages a milk price hike of around 41% by 2000 AD. European Union (EU) may lose its top slot in milk exports. The area of specialized or value added milk products will be attracting many. Development of new products may become the main agenda in the years to come. While Germany launched 103 new milk products in the early 1995, France brought out 117 new products, many of them very innovative ones.

Dr. V. Kurien, Chairman of NDDB, views GATT as a blessing in disguise for the Indian Dairy Industry, through the creation of World Trade Organization (WTO). He feels that India can sell surplus milk products in the global market. The milk producers of Europe, North America and Australia may face financial crunch following the reduction of more than 10% in the producer subsidies, especially in the context of the fact that the price received by European dairy farmer represents 40 to 60% producer subsidy equivalent.

Dr. Kurien observes that only Newzealand and India are the only two countries which do not subsidize their dairy farmers. And so, he feels that our prices which are already competitive will become increasingly attractive in the world dairy market. The major issues related to dairy industry are (i) Reduction in domestic subsidies (ii) Reduction in export subsidies (iii) Provision of market access leading to reduction in tariffs (iv) Agreement on sanitary and phytosanitary measures. These

issues were implemented from 1st January, 1995. GATT then became a more powerful World Trade Organization (WTO), it frames policies and has power to authorise trade sanctions against countries those violating the agreement. The implementation period for developed countries is 6 years (by the year 2000) and 10 years (2004) for developing countries.

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a) Reduction in domestic subsidies

Developed countries like South America and European Community were getting massive domestic subsidies, ranging from 40 to 90%, as producer subsidies. According to GATT the domestic subsidies should not exceed 10% of the value of production, so, definitely there will be a chance of reduction in milk production from these countries. But our milk producers are not getting any subsidy from the Government. This will have no effect on Indian dairy industry regarding milk production.

b) Export subsidies

Our exporters in dairy industry are not getting any subsidy from the Government. But exporters in developed countries getting huge amount of money as export subsidy and they sell their dairy products in international market at low cost compared to Indian products. According to GATT the volume of exports benefitted from such subsidies must be reduced to 21% and the expenditure on export subsidies by 36%. So, reduction in export subsidies as well as domestic subsidies, will increase their product cost in international market. If we properly utilise this opportunity we can contribute a major share in international market. For that we must improve quality of our products.

c) Market access and reduction in tariffs

GATT agreement warrants reduction in tariff by an average 24% and for countries where there are no significant imports, minimum access equal to 3% of domestic

Dr.R.Senthilkumar
Dept of Extension,
College of Veterinary
and Animal Sciences,
Mamuthy

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consumption in 1986-88 will be established for 1995 raising to 5% at the end of the implementation period. If we successfully catch the international market we can sell our products to many countries, by this minimum access. If we fail in this, decreased export coupled with market access will lead to lowering in the cost of milk that will finally affect the producer.

Important measures for future

1. Indian dairy industry is facing severe attack on quality, reliability and integrity. There is a need for an effective mechanism to ensure quality standards. In India millions of small and marginal farmers producing milk are mostly 1/2-2 litres by each. so quality measures may be imposed on processor level rather than producer level. Strict quality controls must be applied to every gram of product.
2. We should concentrate on export to our major importing neighbouring countries like Bangladesh, China, Thailand etc. Because of their geographical proximity we can reduce our shipment costs and provide milk and milk product at comparatively cheaper prices.
3. To sustain and enhance our production and productivity level, policy should be evolved. For this, farmer should get remunerative prices and the consumer

should get fluid milk at reasonable price.

4. For survival and growth in export market, building strong brands of Indian dairy products is necessary. This can be done by creation of marketing network and effective communication.
5. The demand for value added products like casein etc. are more. The consumption of cheese is increasing. Being one of the ingredients in pizza the demand for Mozzarella cheese is increasing. So by improved technology these products should be manufactured in our country.

The caution raised by Dr. V. Kurien is highly relevant. He reminds us that the world is not waiting for our milk or milk products. The advanced dairy nations are also not going to sit idle as we may try to export our milk products. Processor subsidies may replace producer subsidies which means that the subsidies will be passed back to the European producers to retain the competitive price edge.

The Indian Dairy Industry has to show its integrity and has to rise upto the occasion to tap the probable avenues in the world market. Strict quality controls must be applied to every gram of dairy product exported from India. A single bad shipment can and will be used by the competitors to prove that Indian dairy products are unacceptable.

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