DAIRY UK SUBMISSION TO THE INTERNATIONAL TRADE COMMITTEE INQUIRY INTO UK TRADE NEGOTIATIONS: AGREEMENT WITH INDIA

Market Access Opportunity

1. The Indian market has enormous potential for growth in demand for UK dairy products, both for high value specialist products and for food ingredients. Demand for dairy products is rising rapidly in India in response to population growth, greater urbanisation and rising incomes.

2. Counting both cows and buffalo milk production, the Indian dairy sector is the largest in the world, producing nearly 206 million tonnes per annum (which compares with 15MT in the UK). Because of its scale the Indian dairy industry plays a vital role in rural development and the provision of key nutrients to the population.

3. The sector primarily consists of a very large number of small farmers (circa 70m), usually producing milk from very small herds of low yielding animals, only a portion of which is then processed by a fragmented but often cooperatively organised milk processing sector. Final product quality can be variable.

4. Generally, despite high official aspirations, the growth of Indian milk production has not exceeded rapidly rising domestic demand, so the Indian industry is not export orientated, although in some years an export surplus is available.

5. The Indian Government has pursued a strongly protectionist policy to insulate its domestic dairy industry from international competition. High tariffs have kept imports to a small proportion of domestic demand. Tariffs for dairy products range from 30% to 60% ad valorum, which ensures that imported commodity dairy products cannot be price competitive.

6. The protection afforded by high tariffs is further reinforced by challenging SPS and TBT rules, and a fragmented legal landscape created by the powers available to regional states. Exporters also face the challenge of corruption in the ports of entry.

7. Previous efforts to liberalise access to the Indian market have met with strong political mobilisation by the Indian dairy industry.

8. Currently UK dairy exports to India are relatively small and on a declining trend, of which cheese is the largest single element (see table 1 below).

9. To create any meaningful market access opportunity any FTA with India would have to simultaneously provide for substantial tariff reductions (or significant TRQs) whilst also ensuring a predictable and enforceable SPS and TBT landscape. The latter would require close oversight to ensure that it was effective. This implies some sort of permanent governance structure to guarantee that it was properly enforced. Ideally it should also provide a framework to enable exporters to refer specific issues for resolution within a rapid timeframe that would prevent any disruption to the flow of goods.

10. Other impediments to UK exports include labelling and nutritional information. The amount of information required on labels mean that UK exporters find it almost impossible to meet regulatory requirements. Nutritional information has been changed frequently in the past without a grace period which is costly and can lead to orders in transit being refused when they reach port.

11. Another difficulty in respect of standards is that currently no Organic dairy equivalence exists between India and the UK, therefore exporting for this product type isn't feasible. There is no official set of Organic dairy standards in India largely due to the dairy structure and number of dairy cows per farm. It is worth noting that India does have officially recognised set of Organic standards for Grains, Pulses and Fruits, but not for dairy.

Competitive Challenge from the Indian Dairy Industry

12. The absence of a consistent exportable surplus and variable product quality means that the Indian dairy industry would not be expected to pose a competitive threat to the UK dairy sector in the short term.

13. The Indian dairy sector operates to much lower animal health and welfare standards than the UK and with few effective restrictions on the use of antibiotics.

14. The Indian dairy sector is not currently permitted to export dairy products to the UK because, under retained EU law Council Directive 96/23/EC on measures to monitor substances and residues in live animals and animal products, the Indian Government has not filed a residues plan which would set out the guarantees which they would offer concerning the monitoring of these residues and substances.

15. There is considerable concern over the uncontrolled use of antibiotics by Indian dairy farmers. This was highlighted by research undertaken in 2020 by the Centre for Science and Environment (CSE), a public interest research and advocacy organisation based in New Delhi (see https://www.cseindia.org/is-that-milk-safe--10296

16. Aside from product quality issues, the failure to manage antibiotic usage has major implications on the global development of Anti-Microbial Resistance.

17. There isn't any clear framework for enforcing animal health and welfare standards on Indian dairy farms. According to the paper on 'Welfare Challenges of Dairy Cows in India Identified Through On-Farm Observations' published in 2020 the: 'assessment of dairy cow welfare is not routinely if ever carried out (see: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7222708/)

18. If the UK dairy sector was to trade on an even playing field with India in respect of standards, then exports to the UK would have to be restricted to that fragment of the Indian dairy sector that might approach acceptable UK standards. This would have to be subject to an appropriate monitoring regime. Dairy UK remains concerned that Defra is

not adequately resourced to undertake this role. Previously it was performed on behalf of the UK by the European Commission's Directorate-General for Health and Food Safety (DG Sante).

UK Dairy Product Exports to India

	2018		2019		2020	
	Value £	**Volume kg**	**Value £**	**Volume kg**	**Value £**	**Volume kg**
Liquid milk bulk	0	0	0	0	0	0
Liquid millk packaged	0	0	0	0	0	0
Butter (including butteroil)	64,200	12,000	0	0	137,363	40,229
of which: natural butter	*0*	*0*	*0*	*0*	*68,363*	*20,229*
: other butter and butteroil	*64,200*	*12,000*	*0*	*0*	*69,000*	*20,000*
Cheese (excluding fresh)	581,890	148,066	1,063,348	272,167	423,265	113,017
of which: Cheddar	*574,112*	*146,498*	*1,029,326*	*266,190*	*389,329*	*106,109*
Fresh cheese	373,369	97,136	31,406	7,752	0	0
WMP	28,900	10,000	1,596	220	111,600	40,000
SMP	36,565	25,028	42,149	12,608	66,990	36,721
Cream	1,140	36	0	0	0	0
Condensed and Evaporated milk	0	0	0	0	31,020	9,400
Yogurt & Buttermilk	13,983	1,003	50,137	11,324	50,338	9,112
Whey products	351,828	429,890	265,608	275,825	26,200	40,000
Total	**1,451,875**	**723,159**	**1,454,244**	**579,896**	**846,776**	**288,479**