

**PRE-BUDGET RECOMMENDATIONS, FY 2021-2022**

Sr. No.	Section / Subject	Issue	Rationale with Factual Data	Benefits	Recommendation
1	<b>Milch Animal, Feed and related issues</b>	Cattle Feed Ingredients – Imposition of GST	Cattle feed had always been exempted from Tax even under GST vide serial no2 of 2/2017 of central tax dated 28.06.2017. Feed & fodder constitutes 60 to 70% of the cost of milk production. The spent grains generated from breveries is excessively used in this feed which are being taxed under GST resulting into costlier Feeds and fodders.	Farmer will feed the animals better with the reduction in cost. This will not only have healthier animals but result in higher productivity and increase the farmers income.	All ingredients used in cattle feed should be exempted from GST as Cattle feed is being exempted from GST.
		Molasses used in cattle feed – Imposition of GST	The sugar industry is mainly run by the farmers co- operative in the country which produces molasses as a by-product by liquor industry (80%) and cattle feed industry (20%). As cattle feed is consumed by cattle owned by the farmers, it is appropriate not to impose GST on molasses.	Farmer will feed the animals better with the reduction in feed cost. This will not only have healthier animals but resulting in higher productivity. This would increase farmers' income.	All ingredients used in cattle feed should be exempted from GST as Cattle feed is being exempted from GST.
		Veterinary Drugs used for treatment of dairy animals – Imposition of GST	The veterinary drugs are mainly used in animals which are reared by resource poor-farmers. Currently it attracts 12% GST, which is a burden on poor farmers. Since in India, cattle cannot be culled, the population of aged cattle is higher and the farmers have no other option but to treat sick animals with veterinary drugs.	The farmer will spend less on animals treatment will be better, cheaper and upkeep of animals will be better resulting in better upkeep of health of animals.	It is recommended that the veterinary drugs used in large animals should be exempted from GST. Reduce GST from 12% to 0%.
		Teat Dip reclassification under GST	Teat dip is an integral component of clean milk production program. It is now proven globally that use of teat dips results in reduction in udder infection and improves raw milk quality besides diminished use of antibiotics administration in udder. As per the field data 80% of the antibiotics used are for udder infections and use of teat dip reduces the incidence of these infections by 75-80%.	Will enhance clean milk production and better quality milk increase for higher acceptance of milk and milk products globally	The teat dip should be considered as wash material and not classified under drug and cosmetic. Since it is classified as drug, farmers are unable to keep its stock. It should be classified as washing aid and not drugs.
		Silage bags are charged 18% GST which reduces their usage.	Silage is becoming popular with dairy farmers in India since global dairy largely depends on silage. Because of constraint of space and small-farm size, silage prepared in plastic bags is becoming popular. Since this is used by poor farmers for feeding of animals during lean months and the feed and fodder are exempted from GST.	Exemption of GST will increase usage of these bags which will be able to feed animals with more nutritive foods. Feeding of silage will result in higher milk productivity and increase the income of farmers.	Plastic silage bags should be exempted from GST and the GST reduced from 18% to 0%.

2	<b>GST on Milk and Dairy Products</b>	Existing GST on Butter and Ghee	<p>The organised ghee market in India is estimated at 8.00 lakh tons per annum (IMARC Report 2019). This works to approximately per capita consumption of 27gm/person/month. This amount is alarmingly very low. Consumers are constraint to consume ghee because of high price of about Rs. 50/- per kg due to GST on ghee. Since ghee has got high immunity properties, it is necessary that each citizen of the country should regularly consume at least 56 gm of ghee per day. This would be possible once the price of ghee is reduced.</p> <p>The total ghee market in India by both organized and unorganized sector is estimated at 44.35 lakh MT per annum- approximately per capita consumption of 270 gm per person per month or 9 gm per person per day. If GST on Ghee is reduced to 0 % the sale of Ghee will increase. GST on edible oil is now 5% only.</p>	This will enhance the consumption of Butter and Ghee. It will eliminate the problem of adulteration. Consumption of Ghee also provide nutritional security to all classes of human beings in terms of Vitamin A,D,E and K.	Reduce GST on Butter, Ghee, from existing 12 % to 0%
		Existing GST on Ice creams is 18 %	In the present scenario Ice-cream sales have been hampered due to avoidance of cold food by the consumers. Ice cream Industry is undergoing tremendous limitations. It is desirable that GST on Ice cream should be reduced from 18% to 5%.	The reduction in GST on Ice-creams with reduced cost will not only enhance sale of ice creams but also benefit the rural milk producers because ice cream is manufactured by using milk constituents like milk solids and milk fat. Ice cream also is also considered as an immunity booster product.	Reduce the GST on Ice creams from the existing 18% to 5 %
		Treating Sterilised flavoured milk and UHT milk at par with liquid milk to increase the sale of value added products - to increase the sale of sterilised flavoured milk and UHT milk will increase the profit distribution among the Milk Producer	Flavoured milks like Turmeric Milk, Ginger Milk, Tulsi Milk, Ashwagandha Milk are being recommended as immunity boosters, if GST on flavoured milk & UHT milk is also reduced from existing 12 % to 0%. This will add to the immunity of the consumers and reduce the expenditure on health and medicines borne by the central and state governments specially under the ongoing pandemic.	The flavoured milk and UHT milk may be treated as Milk. Diversified milk products are most liked by children. Reduction in GST will increase the acceptability especially among younger generation of India and increase the sales volume.	Removal of GST for SFM and UHT milk, from 12% to 0% must be done on permanent basis to promote the growth of dairy industry in India..

		GST on Packaging material use for dairy products	There is a need to establish robust adulteration detection campaign at the village level and also effective control at distribution points. One of the effective ways of controlling adulteration is sell packed milk in better quality of packaging material. The packaging material attracts 18% GST which adds to the sale price of milk. Therefore, GST on packaging material needs to be exempted. Around 46% milk is consumed as liquid milk, out of which major portion is packaged in the form-fill-seal pouches. In order to provide incentive to the consumer to drink only pasteurized, packed milk, we need to reduce packaging cost, and therefore, reduction in the GST on packaging material is highly recommended.	The milk marketing by organised sector is being done in packaged pouches and is increasing. With the reduction GST on packaging material will lower the cost charge at present from the consumers. This high cost of packaged milk attracts the consumers to purchase unprocessed unpackaged milk. This practice results in rampant adulteration of milk supplies in India.	It is recommended that GST on packaging material be reduced from 18% to 5%
		GST on stainless steel cans, bulk milk coolers, milk testing equipment and DG Sets used in the operation of connection in chilling centres	At present rural milk producers used mostly plastic cans and steel cans for haulage and transport of milk. These cans cannot be cleaned and sterilized properly which increase the microbial load of raw milk received at the organized dairy plants. It is desirable that these cans must be replaced by Stainless steel cans and bulk milk coolers. Bulk milk cooling systems are essential for instant chilling of milk to improve the raw milk quality. Testing equipment are necessary to evaluate the chemical and microbiological quality of raw milk considered important to determine the cost of raw milk for payment to milk producers. DG sets are required to operate the bulk milk cooler and milk chilling centres.	Stainless steel cans, bulk milk coolers, DG sets and milk testing systems will increase the raw milk quality resulting in longer shelf stable products and also to meet the international standards for quality to provide access in the export of Indian dairy products.	It is recommended that the GST rate on these items should be reduced from existing to less than 5%.
		GST on Packaged Paneer	Loose paneer sold in the market is not charged any GST, although the quality of such unpackaged product is not upto the prescribed standards. Unpacked paneer carries high microbial load, often contaminated with pathogenic bacteria.	Packaged paneer has to undergo hygienic pactices and good manufacturing during the production process. It is also packaged in a form-fill-seal packaging materials which make it more expensive. At the same time packaged paneer attracts 12% GST. For this reason organized dairies manufacturing packet paneer are not able to compete with the itinerant traders selling loose paneer at about the same price.	It is recommended that GST on packaged paneer should be reduced to 0% instead of 12% GST, to promote sale of this product with safety requirements to ensure health & wellness.

3.	Exemption from Income Tax	Expenditure on treatment of Animal Infertility to be exempted from Income Tax Act	In India, there is an incidence of 46% of infertility in Indian human population. The expenditure of treatment for infertility is exempted under Income Tax. In case of cattle, the instance of infertility is about 40%. This results in loss of some 30 million tones of milk annually, which translates into loss of nearly Rs. 75,000 crores. In order to overcome this problem, the Government should encourage giving incentive in tax exemption against actual expenditure in treating infertility in Indian milking animals.	Better and cheaper treatment of infertile animals will reduce infertility percentage and reduce avoidable loss to farmers on feeding unproductive animals.	Exempt expenditure on Animal Fertility under Income Tax Act.
		Income tax on the services provided by Cooperatives	<p>In case of village dairy co-operatives, there is exemption under section 80 P (ii) (b), therefore, in the similar manner, the income tax should be exempted for district milk union and state level dairy federations.</p> <p>The Income Tax dept. takes objection on the distribution of price difference by the co-operatives to their members. The basic co- operative principle envisages distribution of surplus money to the members. This is the only principle due to which the co- operative movement differs from private industry; and therefore, Govt. should respect and recommend essentiality of this activity and should not charge any tax on the services generated and distributed to the members by the co-operatives.</p>	With exemption in income tax, viability of state dairy federations and cooperatives will support small and marginal dairy farmers. The fund availability will increase which can be spent on the developmental projects benefiting better quality of milk and higher milk prices to farmers resulting in higher income.	No Income tax on profits of District/State Milk Federations be levied.
4.	Export Duty on Skim Milk Powder	Export Duty on Skim Milk Powder	With the continuous increase in Milk Production in India by around 6.4% and the consumption is about 4% of the production, the excess milk is converted into Butter, Ghee and SMP. Dairy Industry is facing problem of disposing off the SMP due to excessive export duty resulting in higher prices of SMP specially under low international prices and making export of SMP is con considered not very remunerative. Because of imposition of export duty on SMP the dairy companies tend to reduce the raw milk prices which is counter productive.	By reducing the export duty on SMP India will have a competitive advantage on export of SMP in the international markets.	Withdrawal of export duty on SMP for level playing is recommended to make the price competitive in the national and international markets.