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## Trump's tariffs threaten India's niche dairy exports; here's how to fight back



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### Article Content:

India is largely self-sufficient in dairy and doesn't rely heavily on exports to the US. However, the reciprocal tariffs could impact India's niche dairy exports, including specialty cheeses and whey protein concentrate, which have been increasingly popular in premium international markets, according to industry stakeholders.

For context, the US (starting April 10) has temporarily suspended the additional 26% tariffs on Indian goods for a period of 90 days. This decision follows the imposition of universal tariffs by US President Donald Trump on around 60 countries, including India, on April 2, with the goal of reducing the trade deficit and boosting domestic manufacturing. Notably, China is excluded from this suspension and will continue to face a significant tariff hike, bringing its total effective tariff rate to 145% after April 9. Meanwhile, a baseline 10% tariff will still apply to Indian goods.

India accounts for 24% of global milk production, yet its share in global dairy exports is surprisingly minimal, accounting for only 0.25% of the world's dairy trade. The major dairy export products consist of butter, butter oil, buttermilk, milk, and ghee. In 2022-23, India exported 67,572.99 tonnes of dairy products valued at \$284.65 million. In 2023-24, exports declined to 63,738.47 tonnes, valued at \$272.64 million, as per data from the Indian Dairy Association (IDA).

Trump tariffs may further impact dairy exports, potentially increasing costs of ghee, butter, and milk powder and reducing their US market share, says Devendra Shah, Chairman, Parag Milk Foods. According to him, the move also hindered the possibility of collaboration between

Indian and American dairy sectors regarding technology exchange and investment.

“Moreover, tariffs signalled a protectionist approach that created an uncertain global trade environment. However, with countries traditionally reliant on the US now looking elsewhere, we have the option of having Indian dairy products in other countries that were previously dominated by US exports,” adds Shah.

Ravin Saluja, Director of Sterling Agro Industries (Nova Dairy Products), echoes Shah’s views. According to Saluja, India’s dairy sector faces minimal direct impact from US tariffs, mainly due to limited exports, resulting from regulatory and cultural barriers. However, there could still be indirect effects, Saluja notes.

“These tariffs triggered retaliatory measures from India, impacting US imports and straining bilateral trade relations. This has hindered the broader agro-trade ecosystem, delaying collaborative growth opportunities and stalling investment in dairy innovation and technology transfer,” adds Saluja.

M Ramakrishnan, Managing Director of Primus Partners, says that India’s dairy sector is largely a domestic consumption story. “As per APEDA (Agricultural & Processed Food Products Export Development Authority) data, our dairy exports, in volume, form nearly 0.03% of our total milk production. Yes, this translates into a few hundred million dollars of export value. But, in the overall scheme of things, if exports suffer due to tariff issues, the Indian dairy farmer does not get affected that much,” adds Ramakrishnan.

However, both experts and stakeholders agree that India’s dairy sector may face increased competition in third-country markets due to changing global supply chains, especially with countries benefiting from favourable US trade agreements. They emphasise that stable international trade relationships are crucial for scaling up India’s under-leveraged value-added dairy exports.

### **Can the impact of Trump’s tariffs be minimised?**

To minimise the impact of Trump’s tariffs, Shah says India needs to diversify its export markets and not be overly dependent on any one geography. Strengthening bilateral ties with tariff-friendly nations and building trade pacts that support dairy exports, especially value-added products such as cheese, ghee, and high-protein dairy, is essential, he adds.

“The government and industry must collaborate to create a robust global marketing platform for Indian dairy, showcasing our strengths in clean-label, vegetarian, and milk-based products, which are unique in the global dairy space,” says Shah.

Saluja advocates for reviving bilateral talks with the US to address trade imbalances and resolve regulatory issues hindering the dairy sector. A mutually agreeable certification framework respecting India’s religious sentiments on cattle feed could be a breakthrough, says Saluja. He further emphasises that incentivising research and development in dairy processing, packaging, and cold chain infrastructure domestically can boost global competitiveness. Expanding presence in Asia, Africa, and the Middle East, where dairy demand is rising, is key, he notes.

“The government can also support exporters through subsidies, simplified documentation, and trade promotion schemes. Branding Indian dairy as ethically sourced and high-quality can position it as a premium choice globally. Strategic diversification, trade diplomacy, and investment in innovation hold the key to future-proofing India’s dairy sector against external shocks like tariffs,” says Saluja

### **Tariffs pause ‘an opportunity’**

US President Donald Trump recently announced a 90-day pause on reciprocal tariffs, excluding China. The pause will also apply to 10% tariffs. Notably, India faces a 26% tariff, while China faces a higher reciprocal tariff of 34%, creating an 8% differential advantage for Indian exporters. Vietnam (46%), Bangladesh (37%), Thailand (36%), and Indonesia (32%) face even higher tariffs, further solidifying India's competitive position.

Both experts and stakeholders see the current pause as an opportunity for India to strengthen its negotiation stance. They note that tariffs involve not just duties but also subsidies and government support for farmers, such as the significant spending by the US in the dairy sector.

In the dairy industry, the US itself spends a significant amount of money, says Ramakrishnan. "The US has multiple programmes that protect margins and compensate for unexpected production decline. For instance, there is the Dairy Margin Coverage (DMC) Programme, administered by the Farm Service Agency (FSA). It is a voluntary risk management tool for dairy producers which offers financial assistance when the margin between the all-milk price and average feed cost falls below a coverage level chosen by the producer," adds Ramakrishnan.

Ramakrishnan advises India to gather data on the US government's total spending on dairy subsidies before entering negotiations around the dairy sector.