



## **CLFMA make representations to finance ministry before Union Budget - 2019-20, emphasis on Make in India**

31 Jan 2019

**The Compound Livestock Feed Manufacturers Association of India (CLFMA) represents the manufacturers of nutritionally balanced and scientifically produced compound feeds for cattle, poultry, fish, prawns and other animals that is catering to the fast-growing animal protein needs in the country**

MUMBAI, 31 January 2019: The Compound Livestock Feed Manufacturers Association of India (CLFMA) represents the manufacturers of nutritionally balanced and scientifically produced compound feeds for cattle, poultry, fish, prawns and other animals that is catering to the fast growing animal protein needs in the country. The association has more than 200 members from all sub-sectors of the livestock industry such as feed productions, animal nutrition and healthcare, veterinary services, processing, distribution and retailing of milk, meat and eggs. "Make in India" – Opportunities abound in India's livestock sector

India has a thriving livestock sector driven by the country's impressive economic growth, demographic transition with a huge share of youth and as a result, a fast evolving food industry. All the macro-economic indicators lead to higher protein consumption domestically and all the sub-sectors such as dairy, poultry, aquaculture and compound feed manufacturing are riding on the wave and growing at healthy rates. In terms of exports, India is cementing its position firmly in egg and sea-food exports particularly, shrimp.

India's animal protein sector certainly has all the necessary ingredients to contribute greatly towards achieving multiple objectives of the "Make in India" initiatives such as food and nutritional security of the population; doubling farmers' incomes; and mitigating rural distress by bringing prosperity to millions of rural Indians through employment generation.

Hereby, CLFMA presents a 360 degree view of the animal protein value chain and wishes to highlight issues related to raw materials for feed manufacturing - taxation, transportation & freight costs; incentivizing meat exports; protecting the domestic industry from predatory imports; and fostering technology-led growth to drive the flagship "Make in India" initiative in India's livestock sector. "Make in India" - Feed manufacturing - GST exemption for Oil seeds & Oil meals

Experience from several countries prove beyond doubt that safe, quality and nutritious compound feed is essential prerequisite for the growth of animal protein sector. The domestic feed industry uses many diverse raw materials such as grains (e.g. maize and sorghum); De-Oiled cakes (DOC), oil meals, animal fat and protein. Oil meals which include De-Oiled Rice Bran, and other cakes derived from processing oil seeds such as rapeseed, mustard, groundnut etc are one of the most important feed ingredients. Due to their price advantage, easy availability and presence of essential nutrients, oil meals and de-oiled cakes are traditionally used by the farmers and are procured by the feed manufacturers.

Most of these agricultural raw materials and ingredients were exempted under previous tax regimes as well as under the GST regime also. However, oil seeds and oil meals were brought under the 5% rate by the GST council through notifications dated 18 May 2017 and 22 Sep 2017 respectively. It must be noted that these were totally exempt from excise duty or VAT during the pre-GST regime. Since animal feed is exempt from GST, tax on feed raw materials like oil meals will increase the overall cost of feed production and ultimately burden the farmers. Already, profitability in the feed sector is significantly impacted as packaging materials for finished feed are now subject to GST adding to the overall costs of production. The added costs cannot be passed on to the users (farmers) as output prices are market-driven. So, ultimately, this will negatively impact the use of manufactured compound feed by the farmers, which will hamper the country's drive to increase productivity.

### CLFMA Representation

To make high quality and safe compound feed more affordable, both oil seeds and oil meals are to be exempt from GST. Affordability of quality feed will encourage farmers to use it more which in turn help improve their productivity, incomes and profits. Removing excise duty on molasses used by feed production sector

The organized compound feed industry consumes approximately Seven lakh tons of molasses annually out of 110 lakh ton produced. Till 1995-96, molasses used for the manufacture of animal feeds was free from excise duty. However, at present, excise duty of Rs. 772.50 per ton plus 20% GST is being charged. The revenue collected by charging excise duty on molasses used in animal feed is negligible (approximately Rs 65 Crore) but it hurts the sector badly particularly, the dairy and poultry feed manufacturers resulting in increase in overall cost of production. Due to the affordability factor, mainly dairy co-operatives and state government units are also finding it difficult to provide cost-effective feed to thousands of farmers in the country.

### CLFMA Representation

Molasses used for animal feed should be exempted from GST &ldquo;Make In India&rdquo; for the world - Export incentives for Poultry sector

The poultry industry contributes significantly in terms of rural employment, livelihoods, food and nutritional security of the country. However, the sector, if it receives those incentives that are available for other sectors as given below, can contribute significantly in doubling farmers&rsquo; income and profits.

### CLFMA Representation

At par with other industries, if above mentioned grants are extended to the poultry and other related sectors, the industry can achieve the goals of the &ldquo;Make in India&rdquo; initiative. Doubling farmers income through enabling Direct Procurement

The industry requires various agricultural products like maize, soya, jowar, broken rice etc. for manufacturing compound feed. According to current APMC act, various states levy market fee on these raw materials and in certain cases it doubles as one has to pay the fees both at the purchasing point in one state and at the receiving point if it is transported to another state. Direct procurement from the farmers, if enabled, will not only eliminate the middleman and all associated costs, it will also help enhance farmers&rsquo; incomes and profits.

### CLFMA Representation

Amending APMC act is necessary so that direct selling by the farmer to the end user is exempted. If the levy is paid during purchase in one state, exemption must be given at the receiving point and vice versa. Also market levy shall be exempted for captive consumption by the poultry industries across the country. &ldquo;Make in India&rdquo; &ndash; Need for holistic policies in Aquaculture & amp; Fisheries sector

India&rsquo;s aquaculture and fisheries industry is going through a high-growth rate phase and the following factors would hasten its growth and contribution towards rural India&rsquo;s prosperity and farmers&rsquo; incomes.

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Entrepreneurs who intend to establish fish / shrimp seed hatcheries have to obtain approval from steering committee and also to be registered with State Fisheries Departments.	
Hatcheries shall be allowed to obtain brood stock from approved foreign or Indian companies. Hatcheries shall sell seed only to the registered nurseries or farms.	
Shrimp exports from India are gaining global prominence and is set to touch \$7 billion by 2022	
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Subsidies to establish hatcheries	
To provide 35% subsidy on the project cost	
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4	
Cheaper prawn feed imports from Vietnam	
Removal of concessional duty (5% basic only) on imported prawn feed used in fish grow-out farms	
To give boost to the domestic aqua feed sector and farmers who grow raw materials	
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5	
Import duty on fish feed / shrimp feed plant and machinery and new, technology related capital inputs	
All import duties to be removed	
To help enable technology upgradation in the aqua feed sector	
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6	
"Blue Revolution" policy	
A new and revived policy based on industry's current and future priorities	
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7	
Import of feed additives under uniform HS code	
To bring all feed additives under Chapter 2309	
Technology-led growth for poultry sector	

Despite being a prominent producer globally, Indian poultry industry is far behind in terms of technology adoption and support from the Government through a "Technology Upgradation Fund" is the critical need of the hour in following aspects:

Establishment of pellet feedmills as pelleted feed results in enhancing Feed Conversion Ratio  
New generation hatcheries for quality Day Old Chicks production  
Innovative environmental-controlled sheds including modern poultry equipments etc for quality meat production  
Promoting innovative meat processing technologies for hygienic and quality meat  
Creation of Silos / Cold Storage / Modern godowns etc.

#### CLFMA Representations

Sufficient funds to be sanctioned by Government for Poultry Technology Upgradation Scheme to create more infrastructure and upgrading the technology.  
Creation of technical infrastructure for poultry industry may be categorized under newly industrial undertaking and accordingly Income Tax Exemption under section 80IA may be granted to these industries irrespective of notified areas specification.  
The tax exemption for R&D expenditures under section 35(2) AB is presently allowed only under normal provision. This shall be allowed while computing under MAT provision under section 115JB also.  
Again the Government of India may re-open the same deduction under section 80JJ under Income Tax Act, which not only going to support the growth of the industry but also helpful to the farmers for the rural better livelihood.

CLFMA wholeheartedly supports the Prime Minister's proactive initiatives such as "Make in India" and his vision of doubling the farmers' incomes by 2022. India's livestock industry certainly has the potential to achieve the said goals while contributing towards meeting the growing demand for protein in the country.

We gratefully acknowledge Government's strong positive intent and continuous support for sector all these years as reflected in the words of the Hon'ble Chief Minister, of Maharashtra, Shri. Devendra Fadnavis and also the Hon'ble Union Minister for Agriculture and Farmers' Welfare Shri. Radha Mohan Singh, during our recent Golden Jubilee celebrations.

We look forward to work closely with the Government on this and other key priority areas and CLFMA is fully committed to provide all possible assistance needed in this regard.