International Competitiveness of Small Scale Dairy Farms in Pakistan and India

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Abstract

The aim of this paper is to compare the current economic situation of average small-scale dairy farms in India and Pakistan and other important dairy regions in the world. Secondly to assume the question if these farms in India and Pakistan can compete with dairy imports in their countries and have the potential competitive edge for exporting dairy products. For the analysis, the two farms (one average size farm and other large size farm) are selected from each country in India, Pakistan, Brazil, New Zealand, Germany and USA. The study is based on the typical farm approach and using a harmonised accounting and cost analysis method developed by International Farm Comparison Network (IFCN).

The analysis shows that the average size small farms in India and Pakistan have milk production cost of US$18–22/100 kg ECM (energy corrected milk), which is 23% higher as compared to the cost of average size farm in Brazil and New Zealand. But at the same time they have the advantage of 50% lesser costs than the average size farms in Germany and USA.

The large farms in India and Pakistan produce milk at a cost of US$9–12/100 kg ECM, which have an advantage of 48% lower costs than large size farms in Brazil & New Zealand. The average size farms with 1–2 milk animals in India and Pakistan are not competitive in the longer run as compared to average size farms in Brazil and New Zealand due to higher opportunity cost of family labour.

Nevertheless the large size farms with more than 10 milch animals in rural areas of India/ Pakistan are belonging to the most competitive farms in the world. These farms have the potential to compete with the dairy imports. With the competitive edge of lower milk production costs, these farms have the opportunity to export dairy products in international market as well if the milk-processing chain is organised in delivering the dairy products of international standards.

Keywords: Competitiveness, cost of milk production, dairy farming, developing countries, south Asia

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