

GST Impact on the Dairy Product Marketing in India

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Introduction:

The Goods and Services Tax (GST) introduced in 2016 single tax regime applied uniformly throughout the nation replacing all State and Central indirect levies. It features a dual model that includes a federal goods and services tax (CGST) and a state goods and services tax (SGST) (Garg *et al.*, 2014) The CGST will replace all central indirect taxes such as central taxation on excise, central sales tax, central service tax, special additional duty on customs, and counter veiling duties, whereas the SGST has replaced all state government indirect taxes such as state vat, purchase tax, luxury tax, lottery and gambling tax. It is not a new tax, but rather a mechanism for examining interstate transactions of goods and services and ensuring that the taxis collected by the importer state, as GST is a destination-based tax. (Dasgupta *et al.*, 2017) For tax collection purposes, goods and services are separated into five slabs: 0%, 5%, 12%, 18%, and 28%. Petroleum-based goods, beverages containing alcohol, power, and real estate are taxed independently by each state government. There isa specific fee of 0.25% on raw precious and semi-precious stones and 3% on gold. In addition, a 22% surcharge or additional charges on top of the 28% A few things, such as aerated drinks, expensive autos, and tobacco products, are subject to GST. Prior to GST, the statutory tax rate for most commodities was about 26.5%-50%, while after GST; most of these goods are taxed between 12% and 18 %.(Kumari *et al.*, 2024)

Impact in dairy products:

India is the world's largest milk producer, with an output of 239 million tonnes in 2023–24, accounting for about 24% of global milk production. The dairy industry is not only a cornerstone of the agricultural economy but also plays a vital role in ensuring food security, enhancing rural livelihoods, and generating employment for millions. As the single largest agricultural commodity, dairy contributes 5.5% to the national economy. Milk and milk products make up the largest share of value in the livestock sub-sector, with the value of milk output reaching ₹12.21 lakh crores at current prices in 2023–24. The overall market size of the Indian dairy sector is estimated at ₹18.98 lakh crores in 2024. These recent GST reforms will give a major boost in further enhancing productivity and competitiveness of the sector while ensuring sustainable livelihoods (pib.gov.in/press release) The GST reforms implemented in September 2025 have significantly impacted the pricing and market structure for dairy products in India, providing direct benefits to both producers and consumers. (Economics times.com)

GST Structure Changes on Dairy

Before the September 2025 reform, GST rates for dairy products ranged from 0% (raw milk) to 5% (UHT milk,

paneer), and up to 12–18% for value-added items like butter, ghee, cheese, and dairy machinery. (razorpay.com) The September 2025 GST Council meeting rationalized these slabs: Essential items (fresh, pasteurized, and raw milk; unpackaged paneer and curd; UHT milk) were made GST-free (0%) (Two tax.com) Most processed and packaged dairy foods, including cheese, butter, ghee, condensed milk, milk-based beverages, ice cream, and milk cans, are now uniformly taxed at 5%, down from 12–18%. Dairy machinery and milking equipment retain an 18% GST rate. (Clear tax.com)

Prior to the 2025 reform, higher GST rates (up to 12–18%) resulted increased costs for dairy farmers and processors, reducing profit margins to elevated consumer prices for packaged and value-added dairy products, affecting affordability and household budgets. (Economic times.com) Complicated compliance for businesses with multiple GST slabs for similar items.

After the September 2025 GST decrease, Prices for popular products such as Amul and Mother Dairy UHT milk, paneer, butter, and cheese dropped as brands passed on the tax reduction to consumers. Lower GST rates (5% or 0%) make dairy products more affordable, particularly benefitting low-income households and bulk buyers. (jagranjosh.com) Dairy farmers and cooperatives benefit from reduced financial pressure and potentially increased stable demand. The formal and organized dairy market is expected to expand, with safer supply chains and higher product standards. Overall market competitiveness and export potential for Indian dairy products have improved due to reduced operational burdens. (ddnews.gov.in)

India's dairy sector is the world's largest, with annual output reaching 239 million tonnes in 2023–24 and a market size of ₹18.98 lakh crore in 2024. Dairy production contributes 5.5% to the national economy, and the GST rationalization is projected to increase both sector profitability and affordability for over 8 crore rural households. (pib.gov.in) the zero rates on staples helps lower monthly grocery bills for families, while sustaining livelihoods for millions of small and marginal farmers. Industry representatives expect increased investment in infrastructure, innovation, and farmer training, driven by cost savings from the lower GST.

In the current economic scenario, where food inflation and household expenditure pressures are high, these GST reforms help control essential costs and maintain nutritional standards for millions (india-briefing.com).Stream lining GST rates simplifies business operations, encourages compliance, and enables targeted government support for small producers and cooperatives. The reforms incentivize

consumption of healthy dairy products, promote quality improvements, and support rural prosperity through direct benefit to over 8 crore farm families (Rajput *et al.*,2025) By

making products more affordable and business more efficient, the sector becomes resilient against global price shocks, supply disruptions, and evolving consumer patterns.

Table: 1. GST rates before and after sep2025 on different dairy products

Dairy Product	GST Rate Before Sep 2025	GST Rate After Sep 2025	Price Impact	Market & Consumer Impact
Raw, Fresh Milk	0%	0%	No Change	Remains unchanged GST-free,
UHT/Processed Milk	5%	0%	Price drop	Increased affordability
Paneer, Curd, Lassi	5–12%	0%	Significant price drop	Cheaper; boosts consumption
Butter, Cheese, Ghee	12%	5%	Price drop	More accessible; higher demand
Condensed/Flavored Milk	12–18%	5%	Major price drop	Encourages market growth
Ice Cream/Milk Beverages	18%	5%	Price drop	Increased sales volumes
Dairy Machinery/Equip.	18%	18%	No Change	No impact for producers

Source: Personally complied by data from websites:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2163730>

<https://ddnews.gov.in/en/gst-rationalization-brings-most-dairy-products-to-nil-or-5-rate/>

<https://www.news18.com/business/gst-slashed-on-dairy-amul-mother-dairy-cut-milk-prices-ws-l-9587254.html>

<https://cleartax.in/s/gst-on-milk-paneer-curd>

<https://razorpay.com/learn/gst-on-milk-paneer-curd-dairy-products/>

<https://www.india-briefing.com/news/india-gst-reform-2025-rate-revisions-list-goods-39619.html/>

Thus, the 2025 GST changes foster economic growth, enhance food security, and deliver meaningful value to producers and consumers at every tier of India's dairy.

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