

INDIA

The dairy giant of the future



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1. Introduction

India is the world's largest raw milk producer accounting for 17% of the world production and one of the biggest global markets for dairy products. Besides, India is the second largest in the emerging economies in the world with a GDP growth rate of 6-7% and it is the fourth largest economy in the world with a GDP of \$4.7 trillion. According to BRIC report by Goldman Sachs, India will be the second largest economy after China by the year 2035.

The Indian dairy market is outstanding in Asia due to long tradition for consuming milk and dairy products and it has been incorporated in the diet for centuries opposite most other countries in the region. The country is the world's largest dairy product consuming area but only 20% of the milk and dairy products are sold through the formal channels as processed dairy product. The remaining 80% is handled by the informal sector and sold from the farm gate or traded locally.

The report aim to give a comprehensive analysis of the whole dairy chain in India from the milk supply via the processing to the market and besides the supplying industries is also analyzed and the following will be answered:

- Will the dynamically economic growth that facilitates the expanding demand for dairy products continue in the future?
- What have been the main drivers behind the extreme growth in the Indian milk production which now is the largest in the world?
- Can the milk production keep up with the fast growing demand for dairy products in India?
- How can the deliveries of milk to dairies for further processing expand in the future along with improving the milk quality?
- What is needed to improve the productivity and efficiency in the milk production?
- What are the major challenges for Indian dairy industry in the future?
- Why is the penetration of international dairy companies still limited?
- How can the formal dairy market in India develop in the future?
- What is the impact of the dairy policy in India I relation to developing a modern dairy sector in the future?

1.1. Content of the report

Chapter 2 provides the general information about India with special focus on the economic development until now and the future prospects. The agricultural sector in general is analyzed in **chapter 3** showing how the food problem in the country has been successfully tackled led by the green revolution and other policies introduced in the recent years. The development in undernourishment and the calorie and protein intake is described and the agricultural resources

like human resources, land, water and capital are assessed. Finally, the future prospects are outlined.

In **chapter 4** the milk production is analyzed from 1980 to 2023 and this includes also description of “operation flood” that initiated the expansion of the Indian milk production in the 1970s and 1980s. The productivity, milk quality, milk pricing are analyzed and the future challenges and prospects are identified. The dairy policy in India is described in **chapter 5** and this includes a wide range of measures which has been implemented to improve the milk production in India.

Chapter 6 the milk supply system and the production of dairy products are analyzed. The traditional Indian dairy product like panner, dahi and others are described and these products are mainly handled in the informal sector. The remaining 20% is processed in the formal sector and the dairy industry mainly focuses on drinking milk and ghee and finally the future prospects are outlined. The consumption of dairy products on the world’s largest dairy market is analyzed in **chapter 7** by product and the future prospects are assessed.

In **chapter 8**, the focus is on the organized dairy market in India and the retail market for drinking milk, yoghurt, cheese, infant formula, other dairy products (coffee whiteners and condensed/evaporated milk), and ice cream. The critical issues for the major dairy products in the future are identified as well as the retail structure in India are analyzed.

Chapter 9 describes the trade with dairy products where India currently plays a minor role but the future prospects can be different with increasing demand for dairy products including import and new markets can open up for export of special products from India.

The Indian dairy industry is analyzed in **chapter 10** and the major dairy processing companies are identified and described. The foreign engagement is still limited but the future prospects for penetration along with the future prospects for the processing industry in general. In **chapter 11** the dairy equipment and supply industries are analyzed and the possibilities for international players are evaluated.

Chapter 12 contains the overall analysis of the performance of the dairy value chain in India and this includes:

- SWOT-analysis
- Porter’s five-factor analysis
- Assessment of critical issues
- Demand conditions and structure of the industry

Finally in **chapter 13**, the future prospects and conclusions of the report are outlined.

Extract from the report

4. The dairy sector in India

India is the world leader in milk production and this title was reached in the last decade when the US was surpassed. This has been driven by steady population growth and rising income, milk consumption continues to rise in India. The milk production is growing by 7 annually while the consumption is expanding by even more and this is a major challenge for the dairy sector in India in the future.

The untapped potential of the dairy sector is immense and opportunities to set up a new dairy venture are great. There is a vast potential for export of dairy products, as the cost of milk production in India being the lowest. The major challenge is secure the necessary investments in all parts of the dairy chain from milk production to the marketing of the products. This includes improving the milk production structure, milk quality and the processing and marketing capacities of the Indian dairy sector.

The analysis of the Indian dairy sector evaluates the development until today in all parts of the dairy chain and the future prospects are assessed.

4.1. Milk production

The milk production in India has developed remarkably in the last 40 years and today India is the leading milk producing country in the world. In the early 1970s, India started the “Operation Flood” program (see below) and since then the milk production has increased six-fold.

India accounts for more than 17% of world’s total milk production, and it also has the world’s largest dairy herd. As the country consumes almost all of its own milk production, India was neither an active importer nor an exporter of dairy products prior to year 2000. However, since the implementation of Operation Flood Program, the situation changed significantly and imports of dairy products reduced to very small quantities.

From 2001, India has become a net exporter of dairy products and after 2003 India’s dairy import has dipped while exports have increased at a fast rate. Yet the country’s share in global dairy trade still remains at minor levels of 0.3 and 0.4 percent for exports and imports respectively. This is due to the direct consumption of liquid milk by the producer households as well as the demand for processed dairy products that has increased with the growth of income levels, which have left little dairy surpluses for export. Nevertheless, India consistently exports specialty products such as casein for food processing or pharmaceuticals.

The Indian dairy sector is also different from other dairy producing countries as India places its emphasis on both cattle and buffalo milk. In 2010, the government and the National Dairy Development Board have drawn up a National Dairy Plan (NDP) that proposes to nearly double India's milk production by 2020. This plan will endeavor to increase the country's milk productivity, improve access to quality feeds and improve farmer access to the organized market. These goals will be achieved through activities that focus on increasing cooperative membership and growing the network of milk collection facilities throughout India.