Indian Dairy Product Market

India is the world’s largest producer of dairy products by volume, accounting for more than 13% of world’s total milk production, and it also has the world’s largest dairy herd. This is because India has 75 million dairy farms, about half of all dairy farms in the world. India has an edge over many developed countries also because its cost of production is lowest in the world and hence it enjoys a comparative advantage in the production of milk. The only problem with India is high cost of conversion to dairy products. It might be due to lack of scale at both production and processing level.

However, India has merely managed to capture only 1% of global dairy trade despite being the largest milk producer. However, India is a net exporter of all the dairy products except Lactose and Lactose syrups. Good potential for Indian casein and milk powders. whey cheeses also exist.

**INDIAN DAIRY PRODUCTS MARKET**
The country has experienced noteworthy improvement in the per capita availability of milk over the last five years. The unorganized sector comprising of small farmers and cooperatives contribute primarily to the dairy market. Over the
last few years, the organized sector has been catching up rapidly by offering customized products to the end consumers, thereby causing a rise in the organized market share.

But dairy products industry continues to face challenges from lack of quality and low productivity as a result of large part of the market being unorganized. The Indian dairy market is now witnessing the entry of a large number of foreign players. This can be observed with the increasing presence of companies in emerging yogurt segment such as Red Mango, Cocoberry, Kiwi Kiss and Yogurberry, etc. Among dairy products, Amul and Mother Dairy are the two largest companies in the Indian dairy market.

**INDIAN DAIRY PRODUCTS – PRODUCTION AND CONSUMPTION ANALYSIS**

Indian dairy market is amongst the largest and fastest growing market in the world. India has been able to maintain its position in milk production during the past 18 years and milk production during 2015 stands at 155.5 million tonnes. Milk production recorded about 4% CAGR during the last five years. Strong farm gate prices and rising domestic demand for value-added dairy products are the major factors providing impetus to a steady increase in milk production.

Though India is the largest milk producing country, milk yield in the country is still very less as compared to other top milk producing countries like USA, Germany, France and New Zealand. High milk production in India is attributed to large population of cattle rather than good milk yields.

Moreover, milk processing capacity in the country has increased over the years due to increase in demand of good quality, hygienic and packaged milk and milk products. Of the total milk processed in the country, 65% to 70% is sold as liquid milk. The rest is processed into dairy products like cheese, butter, ghee, ice cream, curd etc.

The consumption pattern of dairy products in India is quite unique as compared to some of the western countries. Consumption is primarily skewed towards traditional products; however, westernized products are gradually gaining momentum in the urban areas. Interestingly, buffalo milk accounts for the largest share of the total milk produced in the country. Since the pricing of milk is based on the fat content, buffalo milk offers higher profit margins as compared to cow milk as it contains higher fat.

Despite having the world’s largest milk production, India is a very minor player in the international market. 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 major export destinations for the Indian dairy products are Bangladesh, Middle East, US and Egypt.
In terms of products, skim milk powder, Casein and ghee are the most important product exported from India followed by butter and whole milk powder. Most of these exports go to regional milk deficient nations including Pakistan, Bangladesh, Afghanistan, Nepal, Bhutan, and the United Arab Emirates. India also exports small volumes of casein to the United States, Europe, and other countries.

However, India’s dairy imports can be irregular. In addition to skim milk powder, butterfat (including ghee and butter oil), and lactose, India also imports small volumes of whey products, cheese, and ice cream. The country applies tariff rate quotas to skim milk powder and butter oil. In addition, the county has restrictive import regulations, including import permits, that eliminate US exports from entering the country, and it placed a ban on Chinese milk and dairy product imports until June 23, 2017.

The government is taking several initiatives and introducing yearly plans in order to boost the dairy market. However, the dairy sector is still encountering problems such as non-availability of fodder and low yield of cattle.

Since agriculture and dairy sector share a relationship because of the mutually linked inputs and outputs, it is important to promote the two in tandem to move towards holistic growth. It is important to introduce efficient feeding methods and feeds, encourage commercialization and mechanization of dairy farms, develop networks to promote processed food and beverages based on milk, have well managed cold chain facilities to minimize wastage and organize the sector.

One emerging trend in Indian dairying is the growing number of the commercial dairy farms in the urban and peri-urban areas of the metros and big cities. These dairies mainly cater to the needs of the urban consumers. Their average herd size ranges from having 10 to 20 milch animals (small size dairy farms), 21 to 50 milch animals (medium size dairy farms) to more than 50 milch animals (large size dairy farms). Realizing the growing importance of commercialization, the livestock sector needs to meet the challenges of globalization, in terms of organized production and marketing. Many States’ Dairy Development Departments, cooperatives like Amul and private sector dairy players are giving an impetus to setting up Hi-tech commercial dairy farms leading to clean milk production.