

Growth Opportunities for International Companies in Indian Dairy Sector





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India- World's 5th Largest Economy

Quick Facts:

- 5,000 year old ancient civilization
- 325 languages spoken, 22 official languages
- 28 states, 8 union territories
- 3.28 million sq. kilometers of total area, of which 7,516 kilometers of coastline
- World's largest democracy with 1.3 billion people
- Stable Government with a single party majority, putting emphasis foreign policy as a key tool for economic development
- World's 5th largest economy with GDP of USD 2.94 trillion



Agri & Food:

- Land enriched with diverse agri-climatic zones, soils, terrains and crops
- Largest producer of milk, clarified butter, ginger, banana, guava, papaya and mangoes in the world
- Second largest producer of rice, wheat and several other fruits and vegetables in the world



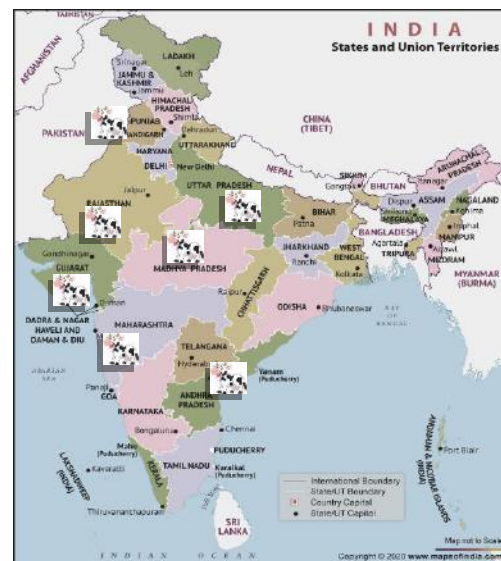
How India Became The Largest Producer of Milk



- From year 1971 to 1996, integrated cooperative movement named **Operation Flood** was implemented, with objectives of:
 - Providing assured market round the year to the rural milk producers
 - Establishing linkage between rural milk production and urban market through modern technology and professional management.
- Operation Flood was one of the world's largest rural development programs which ran for 26 years and eventually helped India to emerge as the world's largest milk producer.
- India's milk production has grown from 17 Million Metric Tonnes (MMT) in 1952 to 188 MMT in 2019.
- By 2024, the milk production is projected to increase to 330 MMT per year.

Milk Production in India

- Largest bovine population in the world
- Most of the milk is produced by animals reared by small, marginal farmers and landless labourers (close to 75 million such farmers)
- More than 90% of India's milk production is concentrated in 14 states.
- The top seven states are Uttar Pradesh, Rajasthan, Punjab, Madhya Pradesh, Gujarat, Maharashtra and Andhra Pradesh (marked on the adjacent map)

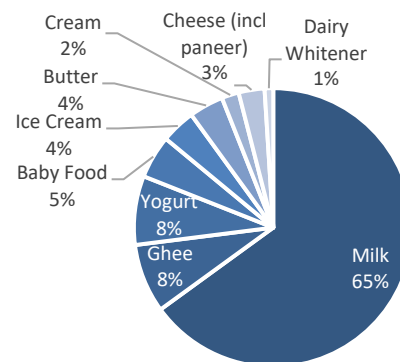


Dairy Sector in India- Overview

- India is the world's largest milk producer, accounting for over 21% of global milk production.
- In 2020, the size of Indian dairy sector is pegged at € 125 bn. It is one of the fastest growing sectors in the world.
- The Indian Government has set the goal to double India's processing capacity from 53.5 MMT to 108 MMT by 2025.
- The Government in its roadmap for 2025 for the dairy sector also aims to increase India's exports share in the world from 0.36% to 10%.
- The offtake of milk and milk-based products has increased not only in cities but also in small towns and rural areas due to the increased demand for quality packaged products and growing health consciousness.
- Out of total dairy production, 65% of the milk is sold in liquid form (amounting to € 81 bn).
- The value added products such as ghee (clarified butter) and yoghurt account for 8% of the dairy sector each (€ 10 bn each in value terms).
- Baby food (milk based) accounts for 5% of the dairy sector, amounting to € 6 bn.

- Market for ice-cream is estimated at around € 5 bn, accounting for 4% of the dairy market.
- Butter, cream, cheese (including paneer) and dairy whitener collectively account for 10% of the Indian dairy sector.

Product Wise Composition of the Market



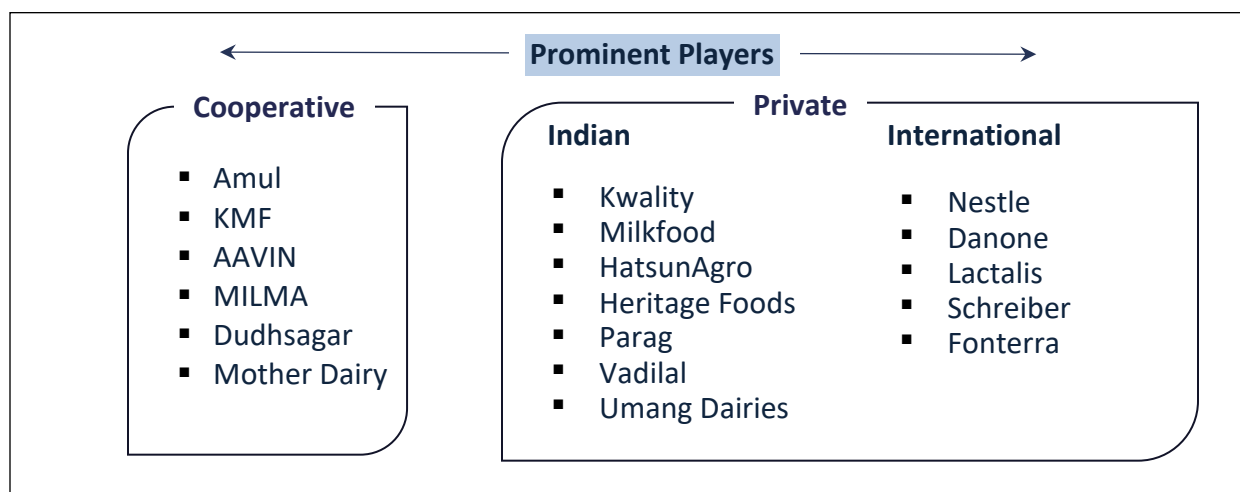
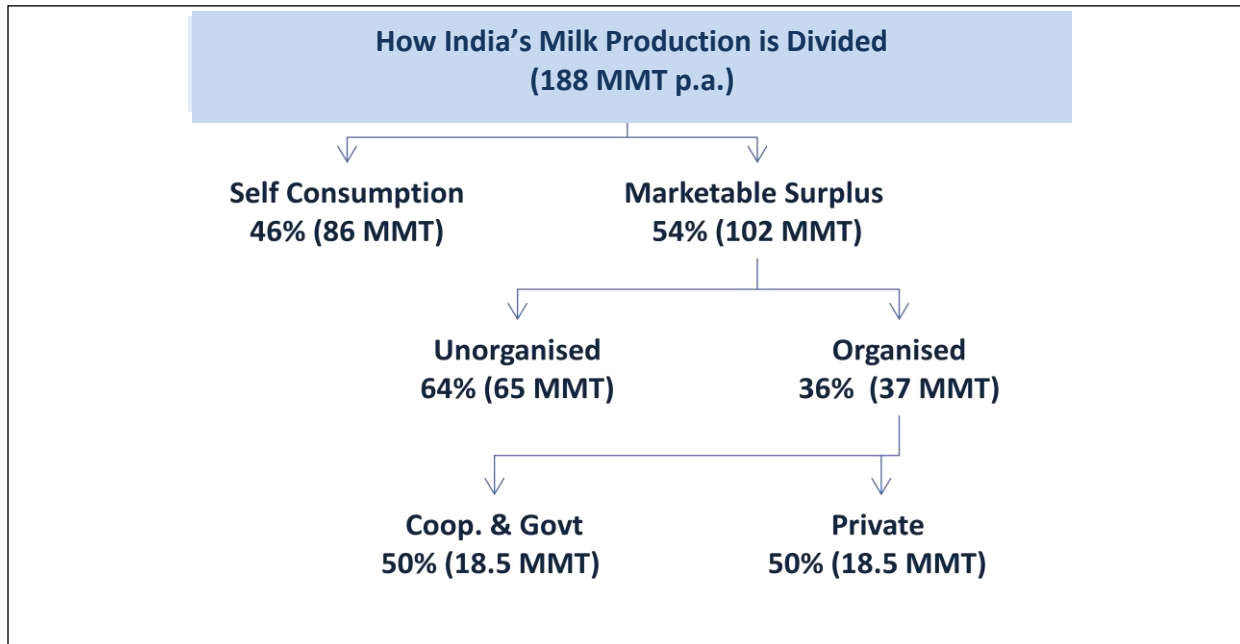
Growth Drivers

- Increase in population
- Rise in per capita income
- Urbanization
- Changing lifestyle and food habits
- Demand for quality packaged food

How Is It Structured?

- The Indian dairy sector is divided into the organized and unorganized segments:
 - Unorganized segment consists of traditional milkmen, vendors and self-consumption at home.
 - Organized segment consists of cooperatives and private dairies.
- Indian dairy sector is dominated by unorganised sector, selling 64% of the marketable surplus (~65 MMT).
- Around 36% of the marketable milk (~37 MMT) is processed by organized sector, with cooperatives & Government dairies and private players contributing 50% each.

- Amul, the brand of Gujarat Coop Milk Marketing Federation (GCMMF) is the largest dairy co-operative and the largest organized player in India.
- It is the 9th largest dairy player in the world, with turnover of USD 7 bn. It aims to be amongst top 3 dairy players in the world
- Amul plans to add 40-60 value added products in the next 2 years



Impossible to Ignore € 125 bn Dairy Market!

- New Zealand's Fonterra and French company Danone had exited the Indian market in 2007 and 2018 respectively.
- Within a year, Danone's investment arm, Danone Manifesto Ventures, invested € 23 mn into gourmet yoghurt brand, Epigamia.
- After 13 years, New Zealand's Fonterra Dairy is back to India through a 50:50 joint venture with Future Consumer Products (now owned by Reliance).
- Lactalis, one of the biggest dairy entities in the world, has taken acquisition route to establish its presence in the Indian market.
- It entered India in 2014 with the acquisition of Chennai-based Tirumala Dairy. Later it also acquired Indore-based Anik Dairy. Recently, Lactalis has acquired Prabhat Dairy from Maharashtra state.
- Lactalis India is already about € 500 mn company in India.
- Another French dairy giant, The Bel Group which makes the famous The Laughing Cow cheese, is planning to grow its presence in India. It has been importing and selling its products in India. In 2018-19, it has incorporated its subsidiary in India.

Government Initiatives

Animal Husbandry Infrastructure Development Fund (AHIDF) worth USD 2.13 bn announced under "AtmaNirbhar Bharat" (Self Sufficient India Scheme)

- Earlier, Dairy Processing Infrastructure Development Fund (DIDF) was in place for encouraging infrastructure development in cooperative dairy sector. AHIDF is the first scheme announced **for the private dairy sector**.
- **Focus of the Fund:**
 - Breed improvement to increase milk production
 - Establishment of processing infrastructure for dairy and meat
 - Setup of animal feed plants
- Ultimately, it aims to increase the farmer's income and increase India's share in exports of dairy and meat products.
- **Eligible Beneficiaries:**
 - Farmer Producer Organizations
 - Micro, Small and Medium Enterprises
 - Section 8 Companies (Charitable or non-profit)
 - Private Companies
 - Individual entrepreneurs
- **Scheme Benefits:**
 - Applicant to invest 10% of the project value
 - 90% to be given as a loan by scheduled banks
 - Government of India to provide 3% interest subvention to eligible applicants
 - Moratorium of 2 years on principal loan amount and repayment period of 6 years thereafter will be offered (total 8 years)

Opportunities for International Companies

Dairy and Related Products

- Affordable compound cattle feed
- Value added dairy products
 - Cheese
 - Flavored yogurt, Yogurt with pieces of fruits
 - Milk based ready to cook delicacies or desert mixes
 - Ice cream or gelato mixes
 - Butter
 - UHT milk
 - Any other special dairy product, not readily available in the Indian market

Considering the requirement of deep and complex milk collection network, international companies have preferred to form joint ventures or acquire Indian dairy companies.

Plant & Machinery Related to Dairy Sector

- Enhancement of chilling infrastructure by setting up new bulk milk coolers
- Processing and packaging machinery for milk and value-added dairy products
- Infrastructure for distribution of processed milk

International machinery manufacturers can identify a local partner who can assemble or manufacture the plant and machinery at competitive costs in India.

Advantages of Manufacturing or Assembling in India

- Low cost of production as compared to western countries
- Customization of machines as per Indian shop floor conditions
- Quick after sales service at low cost
- Confidence of clients in the company due to full-fledged set up in India
- The base in India can be used for domestic sales as well as exports.

How can we be of an assist to you?

UJA has an entire professional setup in India as well as in international markets such as Italy, France and Japan. We will be happy to advise and assist you, right from the market analysis, formulating a market entry strategy, to establishing and growing your business in India.



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