

Exports of dairy products in india marketing essay

[Environment](#), [Air](#)



Production, Consumption & Exports of Dairy Products in India.

Introduction

Till about year 2000, India was not on the radar screen of most international dairy companies, since India was neither a major importer nor an exporter of dairy products. Through the 70's, 80's and 90's India used to take some milk powder and butter oil as aid. Exports from India were insignificantly small. From 2000 onwards, Indian dairy products, particularly milk powder, casein, whey products and ghee started making their presence felt in global markets. (Milk and Dairy Products in India - Production, Consumption and Exports - Business Market Reports)

* India is the largest producer of milk producing more than 100 million tons of milk per annum. Yet, her per capita milk consumption is around 250 g per day.

* India has a population of more than 1 billion with diverse food habits, cultures, traditions and religions. Regional variations within the country can be mind boggling. On one hand, the country has plains with long tradition of milk production and consumption. On the other hand, there are forest and hilly regions with no tradition of dairying. Most of coastal belts also do not have much of dairy tradition.

* Cow is holy for Hindus who make up more than 80 per cent of the population of India. Buffalo enjoys no such holy status. Cow slaughter is banned in many states of India. There are no restrictions on buffalo culling.

Conceptual Framework

Indian Dairy Products

India's milk production will continue to grow at about 3 per cent per annum in spite of difficulties due to stagnant livestock herd size and shortage of fodder. Due to increasing population, per capita availability of milk will increase by only about 1.5 per cent per annum. For an economy growing at about 6 per cent per annum, this increase in availability will be grossly inadequate. Production growing at only 3 per cent and consumption growing at more than double the rate is obviously going to lead to a mismatch between demand and supply. This will create opportunities for international dairy companies. (<http://www.bharatbook.com/Market-Research-Reports/Milk-and-Dairy-Products-in-India-Production-Consumption-and-Exports.html>)

Understanding the Indian Dairy Farm

Milk occupies an exalted position in India. Its roots go back to some 6,000 years when milch animals were domesticated. Simple processes were developed to preserve milk's nutritive goodness as a means to protect and promote health. In their search for ways to prevent milk spoilage and find uses for surplus milk, a number of products were developed. They were curds (yoghurt-like fermented product), makkhan (butter), khoa (desiccated milk product), chhana and paneer (soft cottage cheese-like cultured product) and ghee (clarified butter). A wide range of sweets was produced for consumption on festive occasions. They included rasogolla, sandesh, burfi, peda, shrikhand, gulabjamun, lassi, misti doi and kheer (rice pudding), combining delicious taste and flavour with fitness and health. These ethnic

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products constitute the world of traditional dairy products. The milk handling practices, as developed in the olden times, from producer to consumer were based on simple approach and science and were handed down from generation to generation to serve home, smallholders and trade. They are low-cost, appropriate and sustainable.(Gupta, 2000)

Milk Processing

In 2001 India became the world leader in milk production, closely followed by the USA, with a production volume of 84 million tons. More than half of the milk is produced by buffaloes. India has about three times as many 'dairy' animals as the USA, the vast majority (over 80 percent) being kept in herds of 2 to 8 animals. Annual milk yield per dairy animal is about one tenth of that achieved in the USA and about one fifth of the yield of a New Zealand dairy cow.

In Indian state, nearly five million tons of milk were produced in 2000, about 80 percent thereof derived from buffalo. Over the past five years, total milk production has increased by around 20 percent. Most of the growth has resulted from an increase in the number of crossbred cattle, whereas yield increases have been slight. Almost 90 percent of farms have less than one hectare of land and one to two dairy animals.

<http://www.fao.org/ag/againfo/programmes/en/pplpi/docarc/wp2.pdf>

Domestic Consumption

The huge volume of milk produced in India is consumed almost entirely by the Indian population itself, in a 50-50 division between urban and nonurban

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areas. Increasingly, important consumers of the dairy industry are fast-food chains and food and non-food industries using dairy ingredients in a wide range of products.

Packaging Systems

Extensive use of plastic materials for packaging dairy/food products poses increasingly insurmountable environmental problems for disposal after use. Furthermore, options for packaging materials/equipments are exceedingly narrow for the indigenous dairy sector, besides being very costly. New packaging concepts/biodegradable materials aimed at product protection, enhanced functionality and food safety, need to be developed as essential components of product development, especially for the export market.

SWOT ANALYSIS OF INDIAN DAIRY INDUSTRY

Strengths:

Demand profile: Absolutely optimistic.

Margins: Quite reasonable, even on packed liquid milk.

Flexibility of product mix: Tremendous. With balancing equipment, you can keep on adding to your product line.

Availability of raw material: Abundant. Presently, more than 80 per cent of milk produced is flowing into the unorganized sector, which requires proper hannelization.

Technical manpower: Professionally-trained, technical human resource pool, built over last 30 years.

Weaknesses:

Perishability: Pasteurization has overcome this weakness partially. UHT gives milk long life. Surely, many new processes will follow to improve milk quality and extend its shelf life.

Lack of control over yield: Theoretically, there is little control over milk yield. However, increased awareness of developments like embryo transplant, artificial insemination and properly managed animal husbandry practices, coupled with higher income to rural milk producers should automatically lead to improvement in milk yields.

Logistics of procurement: Woes of bad roads and inadequate transportation facility make milk procurement problematic. But with the overall economic improvement in India, these problems would also get solved.

Problematic distribution: Yes, all is not well with distribution. But then if ice creams can be sold virtually at every nook and corner, why can't we sell other dairy products too? Moreover, it is only a matter of time before we see the emergence of a cold chain linking the producer to the refrigerator at the consumer's home!

Competition: With so many newcomers entering this industry, competition is becoming tougher day by day. But then competition has to be faced as a ground reality. The market is large enough for many to carve out their niche.

Opportunities:

“ Failure is never final, and success never ending”. Dr Kurien bears out this statement perfectly. He entered the industry when there were only threats.

He met failure head-on, and now he clearly is an example of 'never ending success'! If dairy entrepreneurs are looking for opportunities in India, the following areas must be tapped:

Value addition: There is a phenomenal scope for innovations in product development, packaging and presentation. Given below are potential areas of value addition:

Steps should be taken to introduce value-added products like shrikhand, ice creams, paneer, khoa, flavored milk, dairy sweets, etc. This will lead to a greater presence and flexibility in the market place along with opportunities in the field of brand building.

Addition of cultured products like yoghurt and cheese lend further strength - both in terms of utilization of resources and presence in the market place.

A lateral view opens up opportunities in milk proteins through casein, caseinates and other dietary proteins, further opening up export opportunities.

Yet another aspect can be the addition of infant foods, geriatric foods and nutritional.

Export potential: Efforts to exploit export potential are already on. Amul is exporting to Bangladesh, Sri Lanka, Nigeria, and the Middle East. Following the new GATT treaty, opportunities will increase tremendously for the export of agri-products in general and dairy products in particular.

Threats:

Milk vendors, the un-organized sector: Today milk vendors are occupying the pride of place in the industry. Organized dissemination of information about the harm that they are doing to producers and consumers should see a steady decline in their importance.

The study of this SWOT analysis shows that the ' strengths' and ' opportunities' far outweigh ' weaknesses' and ' threats'. Strengths and opportunities are fundamental and weaknesses and threats are transitory. Any investment idea can do well only when you have three essential ingredients: entrepreneurship (the ability to take risks), innovative approach (in product lines and marketing) and values (of quality/ethics).

The Indian dairy industry, following its delicensing, has been attracting a large number of entrepreneurs. Their success in dairying depends on factors such as an efficient yet economical procurement network, hygienic and cost-effective processing facilities and innovativeness in the market place. All that needs to be done is: to innovate, convert products into commercially exploitable ideas. All the time keep reminding yourself: Benjamin Franklin discovered electricity, but it was the man who invented the meter that really made the money!

http://www.indiadairy.com/ind_swot.html

Supply Chain of Indian Dairy Industry

Source: Technopak Analysis

Export Potential of Dairy Products: Format and Theme Setting

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The National Academy of Agricultural Sciences sponsored a two-day Session* on ' Export Potential of Dairy Products' to discuss the issues and challenges confronting Indian Dairy Industry and came out with some tangible recommendations for use of the planners and policy makers of our country.

The session was organised under the following four# major themes:

1. Export of dairy products under WTO regime-prospects and strategies.
2. Economic and policy considerations for infrastructure development and international marketing.
3. R&D, product diversification and HRD in promoting export of dairy products.
4. Quality management for global market.

Strategic Alliance

In order to compete globally for the export of dairy products, it would be strategically advantageous to establish synergistic alliances among the exporting/importing countries (on the lines of Australia and New Zealand, who fiercely compete with each other but enter the world market as strategic partners).

Recommendation: Diplomatic initiation should be made for forging strategic partnerships at the international level for the export of dairy products. In this context, India could play an active role with the dialogue initiated by it with the 22 member countries of the Austral asian Animal Productivity Society (of which India is also a member) for strategic alliances towards export of

animal products to importing countries in Asia, Oceania, Africa, and South America, as well as SAARC countries.

Marketing

Strategic marketing of dairy products needs to be supported through innovative policies that encourage both multilateral and bilateral negotiations with importing countries, and thus, help to regulate and monitor production conforming to international standards. Effective strategy will also require availability of national and international databases to inform on assessments of production, prices, production conditions, consumer preferences, risks, and the quality of dairy products. Such databases will also support negotiations at WTO and bilaterally with importing countries so as to ensure that SPS/TBT measures are based on sound scientific principles.

Recommendation: National and international databases of production, production conditions, prices, quality requirements, consumer preferences, and demand for dairy products to identify niche markets, and information on strategic marketing of dairy products and bilateral and multilateral negotiations in the dairy sector should be developed.

Agencies like EIC and CITA, and the Ministries of Agriculture and Commerce can play a vital role in this direction.

India's Exports to Asian Countries

India's export of fruits, vegetables and seeds are oriented towards Asian markets. India exported fruits valued US \$ 103 million, vegetables valued US \$ 176 million and seeds valued US \$ 6 million to Asian region. Thus, India

exported about 62 of its total fruits exports, 86% of its total vegetables exports and 56 of its total seeds exports to Asia in the year 2004-05.

Possible reasons for a large share targeted towards Asian markets could be proximity of the markets, relatively low transportation cost, time and buying preferences of the 4 consumers in these markets. India's competitive position in Asian Region Regionally, India is one of the top five source countries for imports of fruits and vegetables in Asia. India was ranked first as a sourcing partner for countries like Bahrain, Bangladesh, Maldives, Sri Lanka and UAE. India is ranked at second position for imports of fruits and vegetables for countries like Nepal and Qatar. For Malaysia and Oman, India was the fourth largest source country, whereas for Israel and Saudi Arabia, India was ranked at fifth position. However, India does not rank as a major source partner for imports of fruits and vegetables in countries like Australia, Hong Kong, Indonesia, Iran, Japan, Jordan, Republic of Korea, Lebanon, Mongolia, New Zealand, Pakistan, Philippines, Singapore, Syria and Thailand. In most of these countries, China is one of the leading source countries for import of fruits and vegetables.

Methodology

In this chapter, I will present the methods and sources of information used to collect data about the Indian dairy sector and how the costs of production for the selected typical production systems are calculated.

The central objectives are:-

1. To create and maintain a standardised infrastructure through which production data of the major agricultural products (milk, beef, wheat, sugar, etc.) and from major producing regions of the world can be effectively compared and discussed.
2. To analyse the impact of the structure of production, technology applied and country-specific policies on the economic performance of agribusinesses, their costs of production and global competitiveness.

In order to achieve these objectives, I will follow methods and principles:

I will direct contact with the production protagonists. I will discuss with the team of production of milk or dairy production, like small scale industries and farmers. Or I will put together to set up the typical production models and to revise the final results. This approach brings the results closest to reality.

The second working step will to collect all the needed information from these typical models. It is crucial that these data collected should neither reflect an individual farm (too many particularities may hurt the ability to generalise the results) nor be an arithmetic average (an average does not show much about the technology and the economics involved). The typical model should rather represent real and common situations of the region and show clearly the predominant technology and infrastructure. Such models will be preferred by analysts.