Challenges in the Indian Dairy Sector

What is the issue?

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- India has rapidly emerged as one of the largest producers of milk over the last three decades, accounting for 18.5% of global milk production.
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- But inefficiencies in our dairy supply chain pose a serious health risk, which needs to be addressed immediately.
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What is the market scenario in the India dairy sector?

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- Increasing preference for a healthy lifestyle is expected to nudge the Indian dairy industry to grow at a compounded 15% annually till 2020.
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- The sector is touted to emerge as a Rs. 9.4-lakh crore industry – which presents a immense opportunity for businesses.
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- Significantly, over the last few years, several well established Indian companies and multinationals have made efforts to move in into the sector.
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- This has resulted in a slew of new and innovative products being launched at the upper-end of the spectrum.
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- However, the dynamics of the Indian dairy industry is very different from that of more developed countries.
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- Hence, amidst the growing output, a serious health issue is also looming large, which is primarily due to our supply chain inefficiencies.
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What are the problems?

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- In developed markets, dairy aggregator companies depend on large corporate dairy farms, whereas in India, dairy farming is largely a subsistence activity.
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- India’s major milk supply comes from millions of small producers who have an average of one or two milch animals comprising cows and/or buffaloes.
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- Additionally, only about 20% of the milk produce is channelled for organised marketing, and the rest remains in the ambit of unorganised supply chains.
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- A large cadre of small time vendors are involved in collecting milk from local producers and selling it in both urban and rural areas.
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- This kind of supply chains imply glaring inefficiencies, where a large portion of the milk produced does not adhere to the basic standards of hygiene.
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- The issue is aggravated as over 80% of milk consumption in India is liquid milk, which can pose serious health risks.
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- Un-chilled and unpasteurised milk can produce disease-causing germs and bacteria – surveys iterate that as much as 68.5% of supplies are contaminated.
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- FSSAI (Food Safety and Standards Authority of India) pointed out in a 2012 survey that 70% of the Urban and 31% of rural supplies don’t meet standards.
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What is the way ahead?

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- To ensure that the Indian dairy industry continues to grow in a healthy and sustainable manner it is important to reassess our supply chain.
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- The focus needs to be on modernising milk logistics in order to create toxin free and antibiotic safe, high quality milk.
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- At the start of the supply chain, attention needs to be paid for managing and rearing cattle, and providing farms with the right kind of cattle feed.

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- Secondly, “processing and cold chain infrastructures” are in need of massive upgrades in a leapfrog manner like during “Operation Flood”.
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- Quality-friendly technologies such as the Bulk Milk Coolers (BMC) that brings down the time taken to collect milk to about ‘45 minutes’ are needed.
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- Notably, it takes about 2-3 hours for the currently prevalent central chilling/cold storage model - which enhances bacteria formation.
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- Also, since transporting raw milk beyond 200 km is not feasible, we need to ensure a geographical distribution of sourcing and processing sites.
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- While all these will enhance the quality and shelf-life of milk, improvements in the last mile connectivity will result in holistic betterment of the sector.
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Source: Business Line

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