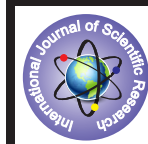


Swot Analysis of Dairy Industry in India



Management

KEYWORDS :

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ABSTRACT

India is predominantly an agrarian economy with more than 75 per cent of its population living in villages and depending on agriculture and allied activities for their livelihood. Land and cattle have traditionally been the two basic income yielding assets of Indian farmers. The present paper focus on strengths, weaknesses, opportunities and threats of Dairy industry.

INTRODUCTION:

India is the world leader in milk production with total volume of 121.8 million tons. Driven by steady population growth and rising income, milk consumption continues to rise in India. Dairy market is currently growing at an annual growth rate of around 7 per cent in volume terms .The market size of Indian dairy industry stands at around US\$ 45 billion. Since India's population is predominantly vegetarian; milk serves as an important part of daily diet. For most households, milk is a popular beverage due to its nutritional value.

India is predominantly an agrarian economy with more than 75 per cent of its population living in villages and depending on agriculture and allied activities for their livelihood. Land and cattle have traditionally been the two basic income yielding assets of Indian farmers. More than 70 per cent of the rural households possess a mere 21.8 per cent of land holdings. They, however, own as much as 64.8 per cent of total milch animals. Thus the distribution of milch animals is more even and much less skewed than the distribution of land-holdings. In terms of actual number, the poor, marginal farmers, and landless labourers form the largest group of rural milk producers.

It has been observed in the Food and Agricultural Organization Evaluation Committee Report, 1976, that dairy development in India offers a unique advantage over industrialization or agricultural development. This premise is based on the spread effect of dairy development, which is more evenly distributed as compared to the other two alternatives. It especially benefits the weaker sections. Most of the cultivating households, irrespective of the size of their land-holdings, own some milch animals or the other. Cattle rearing continue to be an integral part of Indian agricultural scene. These animals can easily be maintained on the crop residues, on weeds and green grass collected by the landless, etc. The largest input, however, is the intensive use of family labour. It is abundantly available because of lack of alternative employment opportunities for rural population excepting during the sowing and harvesting seasons. While this is true for small farmers and landless, the large land-holders usually employ labour to help in up-keep of their animals.

In India, rural households consume almost 50 percent of total milk production. The remaining 50 percent is sold in the domestic market. Of the share of milk sold in the domestic market, almost 50 percent is consumed in fluid form, 35 percent is consumed as traditional products (cheese, yoghurt and milk based sweets), and 15 percent is consumed for the protection of butter, ghee, milk powder and other processed dairy products (including baby foods, ice cream, whey powder, casein, and milk albumin).

According to "Indian Dairy Industry Analysis", India is the world's largest milk producer, accounting for around 17% of the global milk production. Besides, it is one of the largest produc-

ers as well as consumers of dairy products; the milk production in India will grow at a CAGR of around 4% during 2011-2015. The government is taking several initiatives and running plans and programs like National Dairy Plan and Intensive Dairy Development Program to meet the growing demand for milk in the country.

Over the span of three decades, India has transformed from a country of acute milk shortage to the world's leading milk producer, with production exceeding 100 million tonnes in 2006. This phenomenal success is attributed to a Government initiative known as Operation Flood (1970-1996) and its intense focus on dairy development activities. In that initiative, rural milk shed areas were linked to urban markets through the development of a network of village cooperatives for procuring and marketing milk. And milk production and productivity were enhanced by ensuring the availability of veterinary services, artificial insemination (AI), feed and farmer education. The investment paid off, promoting production gains of 4-5 percent per annum.

DEVELOPMENT OF DAIRY INDUSTRY IN INDIA

During the Pre-independence year there was no serious stress given to dairy industry. In 1886 the Department of Defense of the British Government established the dairy farms for the supply of milk to the British troops in Allahabad. Later, in 1920 serious steps were taken by Mr. William Smith, an expert in dairy forming to improve the milk production. There was discrimination done to the Indians hence this led to the rise of the first milk union in India. In Luck now in 1937 called the Luck now milk producer's Co-operative union Ltd. In 1946 AMUL (Anand Milk Udyog Ltd) was started in Gujarat to bring up the economic stability of villagers. When the former Prime Minister Lal Bahadur Shastri visited the functioning as it was rendering a social service to the society, which helped the villagers to come in the national economic stream

The dairy and Animal Husbandry received serious attention after the independence. There was lot many of progressive steps taken by the government through five year plans. This led to the formation of National Dairy Development Board in 1965 & thus in 1970 he decided to Bring a "White Revolution" through out the country, Initially 10 states were selected were for this purpose excluding Karnataka. In Karnataka in 1974 an integrated project was launched to restructure and reorganize the dairy industry on Co-operative principle of AMUL and to lay foundation for new direction in dairy industry.

NDDB

The NDDB was established in 1965. The board was registered under the Societies Registration Act and the public Trust Act, fulfilling the desire of the Prime Minister of India - the late Lal Bahadur Shastri to extend the success of the Kaira Co-operative Milk producers union (AMUL) TO OTHER PARTS OF INDIA.

Dr Vergese Kurien was the founder chairman.

Objectives of NDDB

- To sponsor, promote, manage, acquire, construct or control any plant or work, which promote projects of general public utility relation to dairying.
- To make information available on request to technical services to increase production of Milk.
- To prepare initial feasibility studies of dairying and other dairy related projects and undertake subsequent designing planning and start up those projects.
- To undertake research and development programme related to production and marketing of milk and milk products
- To provide assistance for exchange of information to other international agencies.

Demand for Dairy Products

Demand for dairy products in India is likely to grow significantly in the coming years, driven by more consumers, higher incomes and greater interest in nutrition. Consumption of processed and packaged dairy products is increasing in urban areas. Because of the increasing competition from the private sector, several national and international brands have entered the market and expanded consumers' expectation of quality – although only among a small proportion of the population.

The favorable conditions for increasing demand

- Market growth is due to high per capita consumption, increasing population and health consciousness.
- Unpackaged milk is still preferred because of taste and price.
- Mostly urban consumers have a very low but increasing interest in new products.
- Price elasticity is high.
- Consumption of processed and packaged dairy products is increasing in urban areas.
- Consumer awareness on product quality is increasing but in a very small portion of the population.

SWOT ANALYSIS OF INDIAN DAIRY INDUSTRY

Strengths:

- Flexibility of product mix is tremendous, with balancing equipment.
- Technical manpower is professionally-trained, technical human resource pool, built over last 30 years.
- There is a basic raw material need for the dairy industry; that is, milk is available in abundance.
- India has a plentiful supply of technically skilled laborers.
- There is an easy availability of technological infrastructure.
- India has all the key elements required for a free market system.
- The vast livestock population of the country could prove to be a vital asset for the country and unlike many other natural resources which will deplete over the years, a sustainable livestock production system will continue to propel Indian economy.
- As the milk productivity of our animals is low, there is a vast scope for improvement of the milk production and consequently increased marketable surplus of milk for processing.
- Purchasing power of the consumers is on the upswing with growing economy & continually increasing population of middle class.
- Milk consumption in India is regular part of the dietary programme irrespective of the region and hence demand is likely to rise continuously.
- Large number of dairy plants (678 as on March 31, 2004) in public and cooperative sectors besides several others in the private sector is coming up.
- Vast pool of highly trained and qualified technical manpower is available at all levels to support R&D as well as industry operations.
- Large number of small and marginal farmers involved in dairying.
- An effective marketing channel helps to meet the demands of the urban consumer.
- Very large number of animals and huge scope to enhance productivity.

Weaknesses:

- Bad roads and inadequate transportation facility make milk procurement problematic.
- Competition is becoming tougher day by day.
- Lack of control over milk yield.
- Hough cross breeding programmers have significantly improved animal productivity, milk production system in many parts of the country is still largely dominated by low yielding animals.
- Poor condition of roads and erratic power supply remain a major challenge for procurement and supply of good quality raw milk. Furthermore, raw milk collection systems in certain parts of the country remain fairly underdeveloped.
- Majority of producers is unaware about scientific dairy farming, clean milk production and value chain.
- Seasonal fluctuations in milk production pattern, regional imbalance of milk supply and species-wise variation (buffalo, cow, goat etc.) in milk quality received by milk plants continue to pose serious handicaps.
- Absence of comprehensive and reliable milk production data, impact assessment studies are almost non-existent, investments in dairy research is also not commensurate with returns and potential.
- Large share of milk (70–85%) of marketable surplus goes through informal channel where quality is a big concern
- Very little competition to cooperatives because private sector was not allowed to participate in until recently
- Milk production is scattered over a large number of farmers producing miniscule quantities.
- Low milk prices because of lower prices declared by cooperatives, which results in low prices of milk paid by all players.
- Ad hoc export policies and a ban on exports.
- Quality of milk and milk products are a barrier to entry to the export market, especially the EU and the USA.
- Lack of policy focus on strengthening indigenous breeds.
- Farmers' prices are not based on fat measurement, which affects their profitability

Opportunities:

- Retailing of dairy products also promises great investment opportunities for standardization and upgrading dairy products in the main metropolitan cities.
- There is a great scope for investment in the manufacturing of finished dairy products such as cheese sauce and cheese powders.
- Excessive grazing pressure on marginal and small community lands has resulted in almost complete degradation of land.
- Organized dairy industry handles only 15% of the milk produced. Cost effective technologies, mechanization, and quality control measures are seldom exercised in unorganized sector and remain key issues to be addressed.
- Potential for exports due to low cost of production.
- Overall positive growth environment, which is triggering the Government to enhance infrastructure.
- There is a gross lack of awareness among farmers about the quality parameters, including microbiological and chemical contaminants as well as residual antibiotics.
- Middlemen still control a very large proportion of the milk procurement. Serious efforts need to be taken to eliminate them from the supply chain.
- Entry of multinationals could result in a large portion of milk being diverted towards value added products which, though it augers well for the producers, is likely to affect the availability of liquid milk supply for mass consumption especially for the poor urban class.
- A parallel economy is thriving on adulterated liquid milk including synthetic milk in certain pockets which needs to nip in the bud.
- Increased farmer income by exploiting the high demand.
- Increased consumer sophistication and awareness of quality reception of quality packaged products slowly.

Threats:

- 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.

- Expanding market will see creation of enormous job and self employment opportunities.
- Emphasis on milk fat and not on SNF content maintaining relatively lower prices of milk.
- Large informal markets that extend credit are constraining farmers.
- Low productivity and scattered production leading to high cost of transportation.
- Economy is growing at the rate of nearly 8% of GDP. Consequently, the investment opportunities are also increasing continually.
- Demand for dairy products is income elastic. Continued rise in middle class population will see shift in the consumption pattern in favour of value added products besides the growth in demand for liquid milk.
- Large portion of the population does not care about quality issues in milk.

- Because of high price sensitivity for dairy products, people are not willing to pay for quality.
- Significant increase in maize prices can increase feed prices

CONCLUSION

Dairy has a lot of potential to improve rural incomes, nutrition and women empowerment, and hence is a very critical area for investment. A well-developed industry will enable millions of farmers to capitalize on the emerging opportunities and make a significant impact on rural incomes. On the flip side, weak efforts towards dairy development also can have a significant but negative impact on the dairy industry. The growth rate has been sluggish over the past few years. With an increase in demand on one hand and sluggish supply on the other, there is a likely shortfall in demand in the coming years.

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