

**Market Research  
Report  
On  
Dairy products  
Manufacturing Industry  
in  
India in 2024**



**Rao's Business Marketing**

## 1. Industry Overview

The **dairy products manufacturing industry** in India is a cornerstone of the country's agricultural and food processing sectors. India holds the title of being the **largest producer and consumer of milk** globally, with its dairy industry being one of the most important contributors to both rural and urban economies. In 2023, India's dairy market was valued at **INR 10,000 crore (approximately \$1.2 billion)**, and the market is projected to grow at a **CAGR of 6-7%** from 2024 to 2028.

The industry encompasses a broad spectrum of dairy products, including **milk, yogurt, cheese, butter, ghee, paneer, ice cream, milk-based beverages, and traditional dairy products**. As consumption patterns evolve, there is a marked shift towards **processed, value-added, and health-conscious dairy products**, which is expected to drive market growth in the coming years.

India's dairy sector is supported by its vast and **diverse dairy farming** community, ranging from **small-scale farmers** to large-scale dairy cooperatives. The **cooperative model**, represented by major players like **Amul**, plays a crucial role in the distribution of dairy products across both **urban and rural markets**.

## 2. Market Size and Growth

The Indian dairy products manufacturing market has experienced steady growth, largely driven by the demand for **liquid milk** and **processed dairy products**. With an increasing population, changing dietary habits, and the rise of the middle class, the market is expected to continue expanding.

- **Market Size:**

In 2023, the dairy market was valued at approximately **INR 10,000 crore**, and this value is anticipated to grow to **INR 12,000 crore** by 2028, reflecting a **CAGR of 6-7%**.

- **Milk Production Growth:**

India's milk production in 2023 was around **200 million metric tons**. As per projections, this figure will continue to grow by **4-5% annually** to meet the rising demand for dairy products.

- **Urbanization and Demand for Processed Dairy:**

The shift toward urban living is driving demand for processed and ready-to-eat dairy products. Products like **flavored yogurt**, **cheese**, and **ice cream** are increasingly becoming staples in urban households. This shift is particularly notable among **young adults** and **working professionals** who prioritize convenience.

- **Health-Conscious Consumption:**

The growing focus on health and wellness has led to a surge in demand for **low-fat**, **high-protein**, and **fortified dairy products**. Products like **skimmed milk**, **Greek yogurt**, and **calcium-enriched milk** are gaining popularity.

### 3. Key Market Drivers

Several factors are driving the growth of India's dairy industry:

1. **Increase in Milk Production and Availability:**

- India's dairy industry benefits from a steady increase in milk production, driven by improvements in **dairy farming techniques**, **genetics**, and **feeding practices**. The growth of **cooperative societies** and **private dairies** also supports consistent milk supply.

2. **Urbanization and Changing Lifestyles:**

- As more people move to urban centers, there is a growing preference for **convenient**, **ready-to-eat**, and **processed dairy products**. Urbanization also correlates with an increase in disposable income, allowing consumers to purchase **premium dairy products** like **cheese**, **flavored milk**, and **organic dairy items**.

3. **Rising Health Consciousness:**

- The growing awareness of **nutritional benefits** and the shift toward **healthier eating habits** are fueling the demand for **low-fat** and **fortified** dairy products.

**Probiotic-rich yogurt, low-fat milk, and organic dairy** are seeing a rise in demand due to their perceived health benefits.

#### 4. **Government Support:**

- Government initiatives like the **National Dairy Development Board (NDDB)** and the **Pradhan Mantri Kisan Sampada Yojana (PMKSY)** have been instrumental in improving dairy infrastructure, such as **cold storage** and **processing units**. The government also offers **subsidies** for dairy farmers, ensuring a stable milk supply.

#### 5. **Increasing Disposable Income:**

- As India's middle class expands, there is a rise in the consumption of **premium dairy products**. With higher incomes, consumers are willing to pay more for quality products, particularly **processed cheese, premium yogurt, and artisanal dairy products**.

## 4. **Market Segmentation**

The dairy products manufacturing industry in India can be categorized into different segments based on **product type, consumer demographics, and distribution channels**.

### 1. **By Product Type:**

- **Liquid Milk:**

The core product of the dairy industry, liquid milk accounts for the largest share of consumption in India. Milk is available in **various forms** like **pasteurized, UHT (Ultra High Temperature), and flavoured milk**.

- **Curd (Yogurt):**

Yogurt, a staple in Indian diets, comes in various forms such as **plain curd, flavored yogurt, Greek yogurt, and low-fat yogurt**. The **probiotic yogurt** segment is expanding due to health trends.

- **Cheese:**

Cheese consumption is growing, particularly among urban consumers. **Paneer** (cottage cheese) remains popular, but **processed cheese, cheddar, mozzarella, and gourmet cheeses** are gaining traction.

- **Butter and Ghee:**  
**Butter** and **ghee** are key ingredients in Indian cooking. **Ghee**, in particular, holds cultural significance and is used in religious rituals and traditional foods.
- **Ice Cream:**  
 The ice cream segment is expanding rapidly, with **premium flavors** and **innovative dairy-free alternatives**. The growing popularity of **health-conscious ice creams** and **vegan options** is further driving this market.
- **Milk-Based Beverages:**  
 Beverages like **flavored milk**, **health drinks**, and **dairy-based shakes** are popular, especially in urban markets. Brands are introducing **functional drinks** that provide additional benefits like **probiotics**, **vitamins**, and **minerals**.

## 2. By Consumer Demographics:

- **Urban Consumers:**  
 Urban areas represent a significant market for **processed dairy products** such as **cheese**, **yogurt**, and **premium milk products**. Urban consumers also prefer **packaged** and **ready-to-eat** dairy products.
- **Rural Consumers:**  
 In rural areas, the demand is more focused on **traditional dairy products** such as **milk**, **curd**, and **ghee**. Dairy consumption is primarily unprocessed, with **local dairies** and **small-scale cooperatives** serving the rural markets.

## 3. By Distribution Channel:

- **Traditional Retail:**  
 Traditional retail remains dominant in rural and semi-urban areas, where consumers buy dairy products from **local dairies**, **kirana stores**, and **supermarkets**.
- **Modern Retail:**  
 In urban centers, **modern retail** channels like **supermarkets**, **hypermarkets**, and **specialized dairy stores** are seeing growth. These stores often stock a wide variety of **premium** and **processed dairy products**.
- **E-Commerce:**  
 E-commerce platforms like **BigBasket**, **Grofers**, and **Amazon** are expanding rapidly, especially in urban areas, offering **milk**, **yogurt**, **cheese**, and **value-added dairy products** with home delivery options.

## 5. Key Challenges

### 1. Supply Chain Issues:

- The dairy industry in India faces significant **supply chain challenges** such as **cold storage** inefficiencies, **transportation issues**, and **electricity shortages**. These issues affect the shelf life of dairy products, especially **fresh milk** and **curd**.

### 2. Price Volatility of Raw Materials:

- Fluctuations in the price of **milk** and **fodder** can impact production costs. Since milk is the primary raw material, any price increases can lead to higher costs for manufacturers, which might be passed on to consumers.

### 3. Competition:

- The dairy market in India is highly competitive, with a mix of **local dairy farmers**, **cooperatives**, and **multinational corporations**. Large players like **Amul**, **Mother Dairy**, and **Nestlé** dominate the market, but smaller, regional players also offer **specialized products** and **local dairy options**.

### 4. Regulatory and Quality Control Issues:

- Ensuring consistent **quality control** is a challenge in the dairy industry, especially in light of issues like **adulteration** and contamination. Stricter regulations and enforcement of **food safety standards** are needed to ensure consumer confidence.

## 6. Competitive Landscape

India's dairy industry is highly fragmented, with both **large national brands** and **small regional players** operating in the market. The leading players in the industry include:

- **Amul (GCMMF)**: India's largest dairy cooperative, known for its wide range of dairy products such as **milk**, **butter**, **ghee**, **cheese**, and **ice cream**.
- **Mother Dairy**: A leading dairy brand offering a variety of **milk** and **processed dairy products**. It has a strong presence in **North** and **West India**.

- **Nestlé India:** Known for its **milk-based beverages**, **Nestlé Milkmaid**, and **Nescafé Dairy Mix**.
- **Parag Milk Foods:** Offers products under the brands **Go Cheese**, **Pride of Cows**, and **Topp Up** milk-based drinks.
- **Britannia Industries:** Known for **cheese**, **milk biscuits**, and other dairy-based products.

## **7. Future Outlook**

- **Market Expansion:**  
The Indian dairy industry is poised for continued growth, driven by increasing urbanization, rising

