

Amidst slowdown, dairy sector jumps 12.6% in FY14-15

By [Jharna Mazumdar](#) Mar 22 2015 , Mumbai

With the economic slowdown, most sectors have been struggling and have reported subdued growth in the last couple of years, except the dairy sector, which has witnessed double digit growth with demand for milk and milk products rising in the country.

The dairy sector shot up 12.6 per cent from a year ago this financial year and is expected to grow at 15.6 per cent in 2015-16 driven by strong sector growth both in demand and prices, continued policy and monetary support from the Centre and an expected improvement in the economy.

Domestic prices of milk have remained firm in 2014-15 despite the collapse of global milk and dairy product prices in 2014. The demand for milk and milk-based products remained high due to changing dietary habits and rising buying power. As a result, dairy products witnessed a steep rise in prices in 2014, according to rating agency, India ratings.

RS Sodhi, managing director, Gujarat Cooperative Milk Marketing Federation (GCMMF), told Financial Chronicle, "The dairy sector has been witnessing double digit growth for the last four-five years and the trend is likely to continue as with increasing buying power of consumers demand for milk and milk products continue to remain high."

Sodhi said that milk and milk product are the best source of protein for people who are vegetarian and in India, the majority of the population is vegetarian so demand for milk and milk products are strong in the country.

He pointed out that milk prices in 2015-16 may go up by Rs 4-5 a litre in 2015-16 and the sector will continue to witness 12 to 15 per cent growth during this period.

The 17 member unions at GCMMF with a farmer member strength of 35 lakhs in more than 17,000 villages of Gujarat, process 170 lakh litres per day on an average.

GCMMF ranks among the top 15 dairy companies in the world in terms of milk processing. It has self milk processing capacity of 240 lakhs litres a day. GCMMF has achieved a turnover of Rs 18,143 crore during financial year 2013-14 and is expected to achieve a sales turnover of Rs 22,000 crores during the current financial year, Sodhi added.

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Mother Dairy believes the sector will continue to maintain its growth momentum in the coming year.

Milk & Dairy products major Mother Dairy, established under the 'Operation Flood' programme and a wholly owned subsidiary of National Dairy Development Board (NDDB), is focusing on increasing its network in the country. Mother Dairy has recently launched poly pack milk in Allahabad.

Sandeep Ghosh, business head, milk division, Mother Dairy Fruit and Vegetable, said, "Mother Dairy milk is already available in Agra, Aligarh, Bareilly, Gorakhpur, Kanpur, Lucknow, Meerut, Moradabad and Rae Bareilly. This launch is in line with our strategic plan to establish the brand in the region and expand our network across the country."

India Ratings and Research has also maintained a positive outlook on the dairy sector for 2015-16. India Ratings expects GDP to grow at 6.5 per cent and agriculture at 2.0 per cent in 2015-16.

The dairy sector will reap benefits from the federal government's increased focus on dairy development, enhanced availability of quality fodder and promotion of bovine breeding, among other aspects of raising milk productivity.

The government is also working on ensuring better transportation and storage options for milk and milk products. India Ratings expects the dairy sector to also benefit from the Jan Dhan Yojana aimed at improving financial inclusion in the country.

However, despite being the world's largest milk producer, India is not a significant player in the global dairy market. India's dairy exports have remained slow lately due to a drop in international prices, sluggish global demand, rising cost of domestic milk production and the abolition of skimmed milk powder export incentives by the government in July 2014.

Although FY16 is likely to open up new export markets for India in view of Russia not planning to give up on its import embargo on dairy products from Europe, the share of dairy exports in India's total exports will remain low, predicts the India Ratings report.

jharnamazumdar

@mydigitalfc.com