Dairy Industry in India

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Dairy Industry in India : Competitiveness Amid Challenges

Context

Unlike crops such as **maize**, where US farmers enjoy far higher yields and lower prices, **India's dairy sector continues to remain globally competitive**. While **American corn is cheaper** due to productivity advantages, this price edge does not extend to **milk**.

India's **low-cost dairying model**—based on **smallholder farmers feeding cattle with crop residues and byproducts**—keeps production costs low and ensures that Indian milk prices remain competitive, even without large-scale industrial farms.

Dairy Industry in India – An Overview

- India is the **largest milk producer for over two decades**, contributing **25% of global milk output** and about **5% to the national GDP**.
- In **2024**, milk production was estimated at **239 million metric tonnes (MMT)**.
- The sector employs **80+ million farmers**, especially **small and marginal households**, providing vital rural livelihood support.
- The dairy market was valued at **USD 135.3 billion in 2024**, projected to grow to **USD 274.09 billion by 2032** at a **CAGR of 9.33%**.
- Major milk-producing states include **Uttar Pradesh, Maharashtra, Rajasthan, Punjab, Madhya Pradesh, Himachal Pradesh, and Tamil Nadu**.

Government Initiatives

Key schemes to enhance productivity and strengthen cooperatives include:

- **Rashtriya Gokul Mission** – Improvement and conservation of indigenous breeds.
- **National Dairy Development Board (NDDB) programmes** – Cooperative strengthening and farmer support.
- **National Programme for Dairy Development (NPDD)** – Infrastructure and productivity improvements.
- **Dairy Entrepreneurship Development Scheme (DEDS)** – Promoting self-employment.
- **State Cooperative Dairy Federations** – Enhancing procurement and marketing efficiency.

Price Competitiveness of Milk

- In **July 2025**, the **US Federal Milk Marketing Order (FMMO)** fixed prices at about **Rs 36.7/litre** for 3.5% fat milk.
- In **Maharashtra**, farmers received **Rs 34/litre** for comparable quality milk.
- In the **European Union**, the price was much higher at **Rs 55.6/litre**.

This places **India's farmgate milk price** at **par or lower than the US** and far **below EU levels**, making it globally competitive.

Yield Comparisons

- **India**: 1.64 tonnes per cow annually
- **New Zealand**: 4.6 tonnes
- **European Union**: 7.3 tonnes
- **United States**: 11 tonnes

Despite **low yields**, India's dairying remains competitive because it is **labour-intensive**. Tasks like feeding, milking, cleaning sheds, and fodder management are performed **manually at low wage**

costs, unlike in the West where costly **automation and machinery** dominate.

Processing and Marketing Efficiency

- **Retail Prices**: US whole milk ~ **Rs 100.4/litre**; Indian cooperative milk (Amul toned) ~ **Rs 55–57/litre**.
- **Farmer's Share**: Indian farmers receive **55–57%** of the consumer price, compared to just **35% in the US**.
- **GCMMF (Amul)**: Shares **over 75% of consumer price** with farmers, paying **Rs 44–45/litre for cow milk** and **Rs 65–66/litre for buffalo milk**.

This reflects India's **efficient cooperative model**, with streamlined **procurement, processing, transportation, and marketing systems** that maximise farmer returns.

Challenges to Competitiveness

- Heavy reliance on **unpaid family labour** and recovery of only **out-of-pocket expenses** (feed, veterinary care).
- **Labour scarcity** and rising **opportunity costs** as rural youth shift to education and alternative jobs.
- Lack of **large grazing pastures** (unlike New Zealand).
- High **capital and energy costs**, making heavy mechanisation (as in the US) difficult.
- Structural contrast: **50 million small farmers and 110 million animals** in India vs only **24,470 large mechanised farms in the US**.

Way Forward

To sustain global competitiveness, India must focus on:

- **Selective mechanisation** suitable for smallholders.

- **Genetic improvement** and advanced **breeding technologies**.
- Cultivation of **protein-rich, high-yield fodder grasses**.
- Moving from a **labour-cost advantage** to **efficiency and productivity gains**.

Conclusion

India’s dairy sector is a **rare example in agriculture where the country matches global efficiency**, despite lower yields and fragmented production. Its strength lies in **low-cost production models, cooperative institutions, and farmer-centric marketing systems**. However, the **future competitiveness** of the sector will depend on **sustainable productivity improvements, innovation, and selective modernisation** rather than continuing dependence on cheap labour.

Source : Indian Express

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