



## A Descriptive Study on Growth and Challenges of Dairy Sector in Andhra Pradesh

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### ABSTRACT

*India an agrarian economy with huge cattle and meadows supported by highly qualified and expertise human resources, besides, a great consciousness towards health urges a low capital intensification dairy sector has been struggling with many difficulties. in spite of all these, the dairy units have been contributing a lot to the GDP and national income through providing enormous job opportunities in co-operative, private and self employment as a part of poverty eradication and acts as a principle role in the livestock sector. In this context the present paper makes an attempt to study the growth and challenges of the dairy sector.*

**KEYWORDS : agrarian economy, capital intensification, poverty eradication, livestock sector.**

### Introduction

India is the world largest milk producer, accounting for more than 16percent of world's total milk production, is the world largest consumer of dairy products, the total amount of milk produced has tripled from 23million tones back in 1973 to 95 million tonnes in 2008 and expected a production level of 135 million tones by 2015, but milk production is growing at 3.3percent while consumption is growing at 5percent leaving a gap between demand and supply, in order to meet the rapid growing demand and to increase the milk production, union government has started central scheme national dairy plan –phase 1 for a period of 2011-12 to 2016-17, this scheme will be implemented with a total investment of about Rs.2242 crore, this scheme main objective is to help provide rural milk producers with greater access to the organized milk processing sector and thus to bridge the gap between the demand and supply of milk in the country.

The dairy sector plays an important role in the country's socio-economic development and constitutes an important segment of the rural economy. dairy industry provides live hood to millions of homes in villages, ensuring supply of both urban and rural areas with a view to keeping place with the country's increasing demand for milk and milk products, the industry has growing rapidly.

The dairy industry in India has been on a steady path of progression since India independence. India the world's largest milk producer accounts for around 20percent of global m ilk production, with most of it consumed domestically. In India about 73 percent of milk is consumed in liquid form, while the remaining 27 percent in the form of butter, ghee, cheese, curd, paneer, ice cream, traditional sweets.

The Indian dairy sector is characterized by high fragmentation growing at about 10 percent annually the Indian dairy industry is predominantly controlled by the unorganized sector, which accounts for nearly 85 percent constituting an important segment of the Indian rural economy.

All these facts and figures vouch for India's big potential to increase consumption of dairy products in domestic market and target for exports, despite all of these achievements, lack of advanced technology, inadequate cold storage facilities and processing equipment, practical at the farm level, at as a major constraints in enabling this sector to take a quantum jump in production and productivity, what is needed is a strong platform for all stakeholders to share knowledge and technology.

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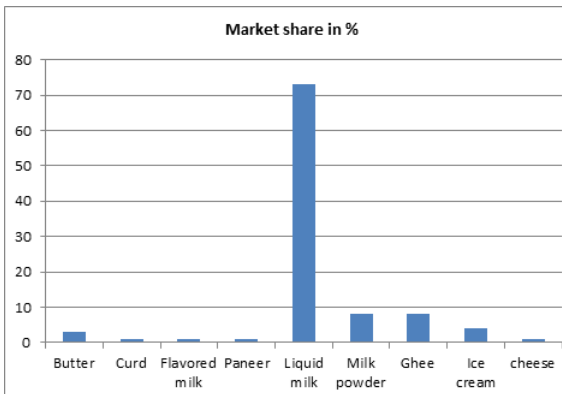
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### Dairy Plants in Andhra Pradesh

S.No	Name of the dairy farm	Location
1	Godavari Dist. Coop. Milk Producers Union Ltd	Rajahmundry
2	Krishna District Milk Producers Co-operative Union Limited	Vijayawada
3	Cream rich Milk Products Pvt. Ltd	Vijayawada
4	Dolphin Milk Products (P) Ltd	Visakhapatnam
5	Durga Dairy Ltd	Vijayawada
6	Glaxo Smithkline Consumer Health Care Ltd	Rajahmundry
7	Gosai Dairy Products	Rajahmundry
8	Guntur District Milk producers Mutually Aided Coop Union Ltd	Vadlamudi
9	Model Dairy Pvt. Ltd	Vijayawada
10	Nirma Milk Products (P) Ltd	Kurnool
11	Nutrine Confectionery Co Ltd	Chittoor
12	Sri Godavari Food Products (P) Ltd	Visakhapatnam
13	Sri Vijaya Visakha Milk Producers Company Ltd	Isakhapatnam
14	Steel City Foods Pvt. Ltd	Sulurpeta
15	Chandra Milk	Phirangipuram
16	Tirumala Milk Products Private Limited	Vallalacharauvu

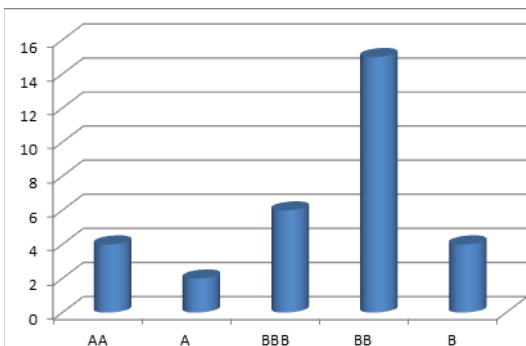
### Market share of Milk and Milk products in financial year 2013 in terms of total sales value

Product	Market share (in %)
Butter	3
Curd	1
Flavored milk	1
Paneer	1
Liquid milk	73
Milk powder	8
Ghee	8
Ice cream	4
Cheese	1



Dispersion of dairy companies rated by CARE (As on June 30<sup>th</sup> 2014)

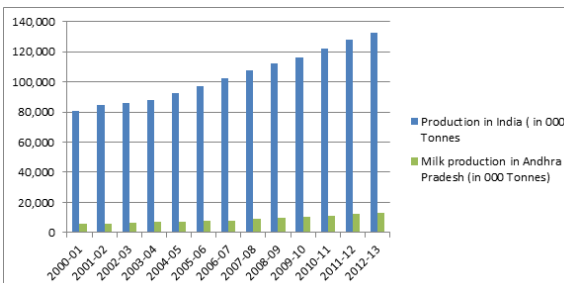
Rating scale	No of Companies
AA	4
A	2
BBB	6
BB	15
B	4



**Milk Production in India and Andhra Pradesh**

Year	Production in India (in 000 Tonnes)	production in Andhra Pradesh (in 000 Tonnes)	Percentage of milk production in AP
2000-01	80,607	5521	6.849
2001-02	84,406	5814	6.888
2002-03	86,159	6584	7.641
2003-04	88,082	6959	7.901
2004-05	92,484	7257	7.846
2005-06	97,066	7624	7.854
2006-07	102580	7938	7.738
2007-08	107934	8925	8.268
2008-09	112183	9570	8.531
2009-10	116425	10,429	8.957
2010-11	121848	11,203	9.194
2011-12	127904	12,088	9.450
2012-13	132431	12,762	9.636

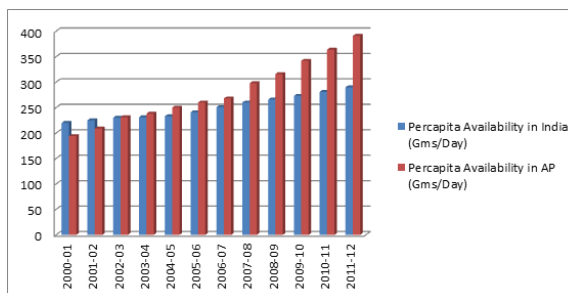
Source: NDDB



**Percapita availability of Milk in India and Andhra Pradesh (Gms/Day)**

Year	Percapita Availability in India (Gms/Day)	Percapita Availability in AP (Gms/Day)	Percentage of percipita milk availability in AP
2000-01	220	194	88.18
2001-02	225	209	92.88
2002-03	230	231	100.43
2003-04	231	238	103.03
2004-05	233	250	107.29
2005-06	241	260	107.88
2006-07	251	268	106.77
2007-08	260	298	114.61
2008-09	266	316	118.79
2009-10	273	342	125.27
2010-11	281	364	129.53
2011-12	290	391	

Source: NDDB



**Share of Agriculture and Livestock sector in GDP (at current prices in Rs.crore)**

Year	GDP (total)	GDP (agriculture)		GDP livestock sector	
		Rs.crore	% share	Rs.crore	% share
2004-05	2,971,464	476,634	16.04	119,333	4.02
2005-06	3,390,503	536,822	15.83	127,518	3.76
2006-07	3,953,276	604,672	15.30	142,695	3.61
2007-08	4,582,086	716,276	15.63	169,296	3.69
2008-09	5,303,567	806,646	15.21	200,440	3.78
2009-10	6,108,903	928,586	15.20	237,059	3.88
2010-11	7,266,966	1,132,048	15.58	276,105	3.80
2011-12	8,353,495	1,268,081	15.18	327,838	3.92

Source: NDDB

**Challenges of dairy industry in Andhra Pradesh**

- Clean Milk Production
- Preservation of Raw Milk
- Mechanization of Indigenous Dairy Based Products
- New Product Development With Value Addition
- Cost Reduction of Dairy Products
- Shelf Life Extension of Perishable Foods
- Storage And Packaging Technology
- Reducing Carbon Foot Print
- Promoting Export of Dairy Products
- Environment Friendly and Effluent Treatment Methods.
- Inadequate feeding of animals
- High production costs
- Involvement of too many intermediaries

- Lack of Infrastructure
- Absence quality standards
- Lack of cold storage facilities
- Lack of transparent milk pricing System

### Conclusion

Globalization and Liberalization are the Mantras of the new economy today, which is now on the fast track. Industrial production is rapidly moving forward. The dairy industry is no exception. With the World Trade Organization (WTO) coming into effect, from 01 April 2001 and the imports and exports getting liberalized in the global economy, the dairy industry, which includes dairy products, faces both an opportunity for growth as well as a threat for its growth. There is no doubt that there is tremendous scope for the growth of the dairy industry in the new millennium. The product mix of world dairy trade is likely to shift further towards cheese. This has been developed in the world markets. As the market opens up, consumption trends associated with these markets will have increasing influence on the world trade. Whole milk powder is likely to continue to be a substantial beneficiary and growth substantially in the Middle Eastern countries. As standards of living in the importing country rises, exporting countries will increasingly concentrate on whole milk powder and cheese with the assistance of butter and skimmed milk powder. There is vast potential for the export of dairy products, the cost of milk production in India being the lowest. The major factor influencing production of by products is the newer uses that may be developed through R & D support. Milk proteins are being utilized increasingly replacing animal and vegetable proteins in special bakery products and instant foods.

Through the application of membrane proven process, milk proteins isolates are being produced. These are being utilized for ice milk mixes and other such applications. Most of the dairy plants in the Government, Cooperatives and Private Sector produce almost similar dairy products like varieties of milk, butter, ghee, skimmed milk powder and whole milk powder. There are 7 large-scale cheese manufacturers and 14 manufacturers are producing infant foods and malted milks. There is immense scope for the broadening of the products range and some of the products, which are likely to have considerable demand in the coming decade, have been identified. The cheese market, presently valued at about Rs.80 crore is growing at about 9% annually. Varieties of milk shakes are also increasing wherein milk and fruit pulp are mixed in different proportions to produce different beverages. There are varieties in traditional milk based sweets, manufactured in the country. The market size is around Rs.12000 crore. However, there are very few nationally known brands in this category. Many of the organized dairies are involved in the manufacture of varieties of milk based sweets: pedha, paneer, shirkhand, etc. These are now restricted to certain areas only but can go national. As the world is getting integrated into one market, quality certification is becoming essential in the market. However, there are very few plants in the country, which have successfully obtained ISO, HACCP certification. There is scope for introducing newer plants adopting newer processes by the dairy industry in the country. Packaging of dairy products is also another very promising area. NRI and overseas investments can take place in manufacturing dairy processing equipment, fruit packaging equipment and equipments for biotechnology related dairy industry.

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