



## SWOT Analysis : Problems and Prospects of Dairy Industry in India

### KEYWORDS

Dairy Industry, SWOT Analysis, Domestic Products, Foreign Market.

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**ABSTRACT** India dairy industry achieved sustained growth during the 8th five year plan, achieving an annual output of over 60 million tones of milk. This not only places our industry second in the world after the united states but represents sustained growth in real availability of milk and milk products for our burgeoning population. Dairy farming is an important source of subsidiary income to small farmers and agricultural laborers Maharashtra state is pioneer and rank first in the growth of co-operative movement in India. The study of this SWOT analysis shows that the 'strengths' and 'opportunities' far outweigh 'weaknesses' and 'threats'. Strengths and opportunities are fundamental and weaknesses and threats are transitory. Dairy co-operatives have thus, multiple linkages in development of agriculture, employment, income, and health nutrition and education level in urban as well as rural area.

### INTRODUCTION

The India dairy industry achieved sustained growth during the 8<sup>th</sup> five year plan, achieving an annual output of over 60 million tones of milk. This not only places our industry second in the world after the united states but represents sustained growth in real availability of milk and milk products for our burgeoning population. Most important, dairying has become an important secondary source of income for millions of rural families.

Improved genetic material achieved primarily through cross breeding of cattle & upgrading of the national buffalo herd has played a significant role in increasing the productivity. Gradual extension of improved husbandry practices increase in consumption of balanced concentrates made possible in part through innovations in the field of nutrition expanded area under fodder greater access to veterinary care and advances in the fight against endemic and epidemic cattle diseases have also contributed to increased production & productivity.

About three quarters of milk produced is consumed at the household level of the milk supplied to the market about 9-11 percent is processed in over 275 dairy plants and 83 milk product factories operated by co-operative, private dairy processors and government milk schemes in the organized sector. Milk channeled through operation flood co-operatives is generally processed in dairy plants located in the rural areas and then transported in to cities and towns. Operation flood milk production account for about 10% of total milk production or 40% of the marketed output. The balance about 90% of total production is handled by the private traders & processors.

About 45% of milk production is consumed as fluid milk. About 35% is processed into butter or ghee about 7% is processed into Panner (cottage cheese) and other cheese about 4% is converted into milk powder and the balance is used for other products such as Dahi and sweet meats there has been an increasing ice cream production as for-

eign companies have invested in India.

### NEED OF DAIRY FARMING

Dairy farming is an important source of subsidiary income to small farmers and agricultural laborers. They play a very important role in milk production of the population of the country. In India three-fourth of the population lives in rural areas and about 38% of them are poor. Dairy forming is a very important in rural area for reducing poverty and unemployment.

### OBJECTIVES OF THE STUDY

Following are the main objectives of the present study.

1. To analysis the development of dairy industry in Maharashtra.
2. To study the SWOT analysis of Indian dairy industry.
3. To study the Problems & Prospects of India dairy industry.

### DAIRY CO-OPERATIVES IN MAHARASHTRA

Maharashtra state is pioneer and rank first in the growth of co-operative movement in India. The Maharashtra Co-operative Societies Act was passed in 1960. Maharashtra is leading in all the states in various co-operatives like PACCs, DCCBs, Marketing, and Dairy Co-operatives etc. The private sector had played a dominant role in dairy industry in Maharashtra before 1960. But thereafter when a new Maharashtra state was formed then that time Shri. Y.B. Chavan Government encouraged development of milk industry in co-operative sector. The government had especially allocated a financial assistance and incentives in States Plane Programmes. To the development of dairy industry in co-operative sector Government of Maharashtra was provided medical facilities, financial assistance in rural areas. In the last 45 years the significant strides have been made in milk production in co-operative dairy sector. Dairy co-operatives is of crucial importance to Maharashtra. The state is the largest milk producer, accounting for more than seven percent of India's total milk production. The significant progress made by dairy co-operatives in state of Maharashtra which is shown in the Table 1.1

**Table 1.1 Progress of Dairy Co-operative Industries in Maharashtra (During 1961 to 2008)**

(Rs. in Lakhs)

Particulars	1961	1971	1981	1991	2001	2004	2005	2006	2007	2008
No. of Societies	431	2021	7819	14284	22466	26677	26499	26881	30913	30075

Membership (In Hundreds)	155	1263	7030	12444	15182	22146	1815861	1842038	2118343	2060919
Share Capital	09	62	288	3131	6594	8387	2416	2451	2820	3102
Own Capital	12	76	598	6614	116,119	3422	2588	2623	2885	3029
Loans	07	01	289	1827	13426	3249	3388	3944	3944	3774
Milk Collection (Value)	67	810	8531	35052	3234491	120210	109,946	111531	128260	134670
Milk Products (Values)	69	841	9132	29914	3403403	25493	64954	67081	77143	80990
Dairies in Profits	156	833	4091	6762	12267	12970	12617	14432	13710	13791
Amount of Profits	02	13	197	895	10758	1573	1231	1702	1616	1625
Loss Making Dairies	133	691	2023	3114	9634	8145	12472	11941	13135	14375
Amount of Loss	0.33	05	26	250	6542	870	473	1017	1119	1226

Source:- Co-operative Movement at a Glance in Maharashtra- 2008, Pg. No. 32

4. The above table indicates the progress of dairy co-operatives during the period 1961 to 2008 in Maharashtra. There were 431 dairy industries in 1961 and there are almost 20,000 societies with 15 lakhs members and output worth Rs. 75,000 crores. Even though the progress is quite noteworthy equally the problem to be worried for is 272 societies are loss. In 1961 out of 289 dairies, 156 (53.98%) dairies earned profits of Rs. 2 lakhs and 133 (46.02%) dairies suffered by losses which amounted to Rs. 0.33 lakhs. But in the year 2008, there were 28,166 dairy co-operatives working in Maharashtra of which 13,791 (48.96%) dairies earned profits of Rs. 16.25 crores and 14,375 (51.04%) dairies suffered by losses by amounted to Rs. 12.26 crores due to the inadequate support from government, regional imbalances, low capacity utilization of dairy plants lack of working capital, marketing strategy to meet competition, absence of rational pricing policy. Hence immediate solution is that, in the phase of globalization, privatization and liberalization and competition loss making dairy units either to close down their business or get merged with the other profitable units.

#### SWOT ANALYSIS OF DAIRY INDUSTRY

##### STRENGTHS OF DAIRY INDUSTRY

- Enhanced milk production with consequently increased availability of milk processing.
- Improved purchasing power of the consumer.
- Improved transportation facilities for movement of milk and milk products.
- Increasing availability of indigenously manufactured equipment.
- Large number of dairy plants in public and co-operative sector besides several others coming up in the private sector.
- Vast pool of highly trained and qualified manpower available to the industry.
- Country's vast natural resources offer immense potential for growth & development of dairying.

##### WEAKNESSES OF DAIRY INDUSTRY

- Tropical climate conditions.
- Seasonal fluctuations in milk production pattern.
- Species-wise variation (buffalo, cow, goat etc) in milk quality received by milk plants.
- Lack of marketing avenues for the dairy produce.
- Shortage of green and dry fodder.
- Low productivity of animals.
- Lack of suitable education/training for skill development for new viable & sustainable technology.
- Inadequate finance.
- Lack of proper marketing support.

#### OPPORTUNITIES OF DAIRY INDUSTRY

- Great improved export potential for milk products of western as well as traditional types.
- Established and expanding market for traditional products.
- Increasing demand for fluid milk as well as value added products.
- By product utilization for import substitution.
- Growing demand for milk and milk products.
- Liberalized policies in dairy sector.
- Availability of large resources of unconventional feeds & folders.
- Availability of diverse germplasm with unique features like heat tolerance, disease resistance draftability and ability to survive and produce under stress conditions.
- Availability of animal production technologies for faster development & effective implementation.
- There should be an integrated structure of marketing for milk & milk products.
- Integrated structure for livestock marketing through regulated markets.

#### THREATS OF DAIRY INDUSTRY

Introduction of foreign products in Indian market.

- Increasing chemical contaminants as well as residual antibiotics in milk.
- Export of quality feed ingredients particularly cakes under the liberalization policy.
- Deficiency of molasses, a rich source of energy and binding agent in feed industry and constituent of urea molasses mineral lick.
- Excessive grazing pressure on marginal and small community lands resulting in complete degradation of land.
- Extinction of the indigenous breeds of cattle due to indiscriminate use of crossbreeding program to enhance milk production.
- The liberalization of the dairy industry is likely to be exploited by multi nationals. They will be interested in manufacturing milk products which yield high profits. It will create milk shortage in the country adversely affecting the consumers.
- In spite all these problems and threats there is a clean cut and tremendous opportunities also.

The study of this SWOT analysis shows that the 'strengths' and 'opportunities' far outweigh 'weaknesses' and 'threats'. Strengths and opportunities are fundamental and weaknesses and threats are transitory. Any investment idea can do well only when you have three essential ingredients: entrepreneurship (the ability to take risks), innovative approach (in product lines and marketing) and values (of quality/ethics).

## PROBLEMS AND PROSPECTS OF THE INDIAN DAIRY INDUSTRY

Dairy industry is of crucial importance to India. The country is the world's largest milk producer, accounting for more than 13% of world's total milk production. It is the world's largest consumer of dairy products, consuming almost 100% of its own milk production. Dairy products are a major source of cheap and nutritious food to millions of people in India and the only acceptable source of animal protein for large vegetarian segment of Indian population, particularly among the landless, small and marginal farmers and women.

### PROBLEMS OF DAIRY INDUSTRY

From the above study and analysis, it is clear that dairy co-operatives now face several difficulties and problems, chief among which are-

1. There are wide fluctuations in milk procurement over the last 20 years. Co-operative milk unions are required to provide technical inputs to the milk producers.
2. Pricing issue is also of primary importance because on it depends the availability of milk.
3. Many of the dairy co-operatives in Maharashtra were not making payment on time and hence the predominance of private traders caused closer of the society in some parts.
4. Inadequate recognition of the role played by dairy co-operatives in increasing milk productions.
5. The dairy co-operatives forced to play a minor role in such areas and cannot therefore mobilize resources for expansion or modernization.
6. A large number of dairy plants have not been able to achieve a satisfactory level of capacity utilization primarily due to the inadequate milk availability.
7. The pattern of financing adopted generally did not make any provisions for working capital.
8. One of the major reasons for the inability private units in their failure to meet the local demand adequately out of milk collected.
9. Absence of rational policy on milk prices, lack of consistent price structure and existence of haphazard controls and subsidies on milk prices in urban centers is a major factor inhibiting the growth of dairy co-operatives.
10. Quality of Product:
11. Infrastructure Development:
12. Buffalo Milk Specialty Product
13. Trade Liberalization
14. Minor Share in World Market
15. Unsure Market
16. Low Productivity
17. Perspective 2010
18. Un-organised Sector
19. Lack of Demand

### PROSPECTS OF DAIRY INDUSTRY

1. **Alleviating the poverty:** Dairying has been considered as one of the activities aimed at alleviating the poverty and unemployment especially in the rural areas in the rain-fed and drought-prone regions. In India, about 70% of the populations in rural areas and about 38% of them are below poverty. In 1986-87, about 73% of rural households own livestock. Small and marginal farmers account for three-quarters of these households owning livestock, raising 56% of the bovine and 66% of the sheep population.
2. **Employment generation:** About eight crores rural

families across India are engaged in dairy production and the rural market consumes over half of the total milk produced. According to the NSS, livestock sector produces regular employment to about 9.8 million persons in principal status and 8.6 million in subsidiary status, which constitute about 5% of the total work force. The progress in this sector will result in a more balanced development of the rural economy.

3. **Favorable Government Policy:** The tremendous rise in milk production is primarily the fallout of the dairy farming policy reflected in Operation Flood. Following the success of dairy farming policy, the Government has set up favorable dairy processing policy, reflected in the Milk and Milk Products Order. In addition, the Government uses a variety of import restrictions to protect its domestic dairy market. As a result the income of farmers has been increased from domestic market.
4. **Value-added Products:** A specific Indian phenomenon is the unorganised sector of milkmen, vendors who collect the milk from local producers and sell the milk in both, urban and non-urban areas, which handles around 65-70% of the national milk production. In the organised dairy industry, the cooperative milk processors have a 60% market share. The cooperative dairies process 90% of the collected milk as liquid milk whereas the private dairies process and sell only 20% of the milk collected as liquid milk and 80% for other dairy products with a focus on value-added products. There is scope to increase the value added products.
5. **Domestic Consumption:** The huge volume of milk produced in India is consumed almost entirely by the Indian population itself, in a 50-50 division between urban and nonurban areas. Increasingly, important consumers of the dairy industry are fast-food chains and food and non-food industries using dairy ingredients in a wide range of products.

In developing countries like India and particularly agriculture oriented state of Maharashtra, there is permanent need to permit co-operative dairy sector and organizations to perform its functions and decisions with greater freedom and autonomy in future, in the era of LPG. In era of open market economy, dairies must be concentrating on their productivity and profitability to survive in competitive marketing.

### Suggestions to improve the working of Dairy Industries:-

1. Use of appropriate and intermediate technology in the milk production.
2. Promotion of inter co-operative dairy products export.
3. Use latest methods for manufacturing and processing of milk products.
4. Use of improved storage and grading system.
5. Adoption of value addition techniques consisting professional management, business diversification, use of faster communication (IT) techniques and create approach to each stage.

### 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. There is no doubt that, there is tremendous scope for the growth of dairy industry in the new millennium. For this purpose, there is an urgent need for initiating new revolution through co-operatives. The success of

dairy co-operatives depends on internal as well as external improvements. More over dairy co-operatives in Maharashtra must follow the path of Amul Gujarat, where innovative approach and steps are taken care of two insure competitive dairy sector in the era of economic liberalization and globalization. The co-operative dairies in Maharashtra should promote the production of clean milk and also improve the conditions of supply centers, milk parlors and the milk processing plants. Dairy co-operatives have thus, multiple linkages in development of agriculture, employment, income, and health nutrition and education level in urban as well as rural area. Finally the remarkable thing is that dairy co-operatives had helped the rural poverty. The Dairy Industries can change the picture of village to city. Where women, sun and other people plays an important role in it. Dairy Industry provides full time income to qualified and unemployed people without investing huge amount and can get inreturn when ever required. Each and every village of Maharashtra can become Anand, Warana, Kirloskar, Gokul, and change the life style of people. This can show that not any industrialization but Dairy Industry can make revolution.

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