



## A Startegic Analysis of Cheese and Cheese Products Market in India

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### Keywords:

#### INTRODUCTION

Indian dairying is emerging as an important growth leverage of the economy. For sheer numbers, dairying here has no match in the world. The figures are simply mind boggling. Milk production has come a long way over the years from a low volume of 17 million tonnes in 1951 to 112 million tonnes in 2010. The Indian dairy market is growing at an annual growth rate of 7% at current prices. More than 50% of the total fluid milk produced in the country is consumed in the urban market. The reason for the rise in consumption of the milk is that its demand is highly income elastic. The dairy expenditure, particularly of value added products of the richest household are ten times that of the poorest<sup>3</sup>. This is in contrast with most other countries where rich substitute milk with other sources of protein including meat and poultry. Further, the domestic market for value added products like butter, cheese, ice cream, dairy whiteners and spreads is galloping at 8-10% per year<sup>4</sup>. The future of Indian dairy industry as a sustaining enterprise in the national and international market is promising and its growth potential is high.

A few decades ago, India was more of a 'butter' country. Butter finds place in the breakfast in many urban homes. We could rarely find a cheese block somewhere in the house. Except for the popular Indian variety of cottage cheese - Paneer, India is not traditionally a 'cheese nation'. Cheese was more or less kept for sandwiches, or to create dishes that would go along as evening dishes or accompaniments to cocktails. Now, the mainstream use of cheese and cheese spreads has increased in the urban mainstream. Cheese is used as cheese blocks, grated cheese and cheese spreads. With the growing saturation of cheese consumption in the West and the encouraging successes in other 'non-cheese' Asian countries like Japan and China; overseas cheese producers are eyeing the Indian market for its huge promise. While a few years ago Indians had access to only one type of basic cheese, several companies have entered the foray and there are multiple cheese types that are available at the stores.

#### CHEESE TYPES POPULAR IN INDIA

Cheese can basically be broadly defined into hard cheese, soft cheese and very hard cheese. The different kinds of cheese types that are available today are:

**Cheddar:** Cheddar is a kind of hard cheese that is relatively more famous than other hard cheese types. Cheddar can be mild or sharp flavoured and can be smooth or dry, depending on the age of the cheese. Cheddar can be anything from just a month old to even three years old. Cheddar cheese is normally used for cooking purposes and as ingredients for soups and sauces. Cheese is also used for grating and melting. Spices are added to the Cheddar to improve its taste.

**Paneer (Cottage Cheese):** 'Paneer' the 'very young Cheese' is most familiar to Indian households. In smaller towns and rural areas, consumers still prefer non-branded cottage cheese processed by local dairy owners called "paneer." Unlike cheese cubes, paneer is softer and bland and all Indian delicacies are made out of paneer. It arrives in the market in large chunks that look like loaves of bread. It is cut, weighed and sold loose. People prefer cheese in the form of paneer because they get fresh stocks every day. It is also much more economical as compared to branded cheese. Paneer sells at 100-140 rupees per kilogram as against branded cheese which sells around 200 rupees per kilogram. Paneer is used as stuffing for popular deep-fried north Indian snacks such as paneer pakora, bread pakora and paneer roll. It is also used as stuffing for some south Indian snacks like paneer dosa and paneer bonda. It is also frequently used in Indian curries and other vegetable preparations.

**Mozzarella Cheese:** Mozzarella chesses of many types are common in the marketplace. It is of high demand in grocery shops across the world. What keeps mozzarella cheese in high demand is its emergence as an integral part of pizzas. A testament to this increasingly popularity of mozzarella cheese is the fact that various countries such as India have started producing this cheese. Mozzarella provides the best results when it comes to making pizzas. Even though this cheese is often substituted with other cheese when making pizza, nothing can make a pizza look, feel and taste like a pizza like mozzarella can. Best when it is fresh, it is this cheese that creates that stringy look when a hot pizza is pulled apart or cut. Mozzarella especially that which is made from buffalo milk has a richer concentration of minerals, nutrients and proteins compared to any other type of cheese. These increased amounts are due to the fact that buffalo milk is inherently superior to cow's milk.

#### Parmesan:

Parmesan is a dry and hard cheese that is prepared from skimmed cow milk. Sometimes, partially skimmed cow's milk is used to prepare Parmesan cheese. Parmesan cheese has a richer and sharper flavour than other cheese and is commonly used for grating.

**Romano:** Romano is a type of very hard cheese which is made with a mixture of cow's milk along with a sheep or goat's milk. It is named after the City of Rome. Romano cheese is normally used for grating. Romano is either very sharp or even mild in flavour.

**Brie:** Brie is a kind of soft cheese that has a tangy or fruity flavour. It is normally used to be served with fruits and salads. Brie can also be used as an accompaniment for roast beef sandwich.

**Mascarpone:** Mascarpone is Italian cream cheese. This cheese is very rich, used in desserts and sometimes can be seen in cheesecakes.

**HISTORY OF CHEESE IN INDIA**

As a matter of fact, Paonta Sahib, a place in Himachal Pradesh, discovers the cheesy route from India to America. Indian Cheese industry was established by Man Mohan Malik<sup>2</sup>. This was back in 1950s and considered as a great step towards the development of Cheese Industry in India. It has been recently discovered that India exports more cheese to America, than any other the Italian or European Cheese industry. Though the popularity of cheese is not that massive in India, yet the abundance of milk production has generated the cheese industry in a much better way. As the buffalo milk is thicker it was used more for the Cheese industry. However, initially the Americans were complaining for the cheese made of Buffalo milk. Actually in India the milk is considered to be 'milk' no matter whether it is from a buffalo or a cow. The shift was soon made to cow milk and Malik was totally into the business. He started producing mozzarella cheese but as he was exactly unaware of the real Italian mozzarella cheese, he was unable to cope up. He then invited Raffaele Cioffi to Paonta Sahib. Cioffi was from coast of Sorrento and was the fifth-generation cheese-maker. He was a constant consultant for cheese productions in Russia and Bulgaria. This was a great step forwarded by Malik. Not only this, Malik also brought special equipments from Germany for the purpose of tracing out the impurities in the milk. This was the beginning and was very effective in adding more quality to the manufacturing unit.

**INDIAN CHEESE MARKET**

It is true that India is not a traditionally structured 'cheese nation'. But the contributions made by Malik was so significant that in 2006, India exported Cheese in a volume of 8000 tonnes; a value of Rs 250 crore<sup>2</sup>. It can be well assessed that the Cheese industry in India is growing at a regular speed and will surely have a hold over the International market of Cheese business. The organised cheese industry in India is at best in its nascent stage, accounting for less than 1% of total dairy production and largely limited to urban consumption. Though cheese was first marketed under the brand name 'Amul', from the popular Amul butter stable in the late 1970s, it attained an identity of its own only as late as 1990s. The Cheese industry growth rate is estimated at about 10%-12% per year in terms of volume and 16%-17% per year in value terms<sup>13</sup>. Current household cheese penetration is 5%, with about 50% of consumption being limited to cities. Mumbai and Delhi together capture half of the cheese market. Within cheese products, around 60% of the market is dominated by processed cheese, 30% by cheese spreads and the remaining 10% by flavoured and specialty cheese<sup>13</sup>.

The Indian cheese market is dominated by Gujarat Cooperative Milk Marketing Federation that uses the brand name Amul and Britannia New Zealand Foods Pvt. Limited, using the brand name 'Britannia Milkman'. Amul is way ahead of competition and owns about 60% of the market. Britannia has about 25% share. Other conspicuous players are Dabon International Private Limited, a wholly owned subsidiary of the French dairy company Bongrain S.A and other regional brands like Mother Dairy and Vijaya. These companies have a 10% market share. The remainder 5% of the market is taken by imported cheese brands, retailed in specialty stores.

**Table 1: The Indian Cheese Market 14**

Brand(s)	Estimated Share of Market (%)
Amul	60
Britannia Milkman	25
Le Bon, Regional brands e.g. Mother Dairy, Vijaya	10
Imported brands e.g. Kraft, Laughing Cow	5

An interesting fact is that the per capita consumption of

cheese, even among the cheese consuming households, is a poor 2.4kg per annum as compared to over 20kg in the US<sup>15</sup>. Cheese is very recently making its mark in the industrial sector and the market. The urban population accounts for major cheese consumption in India. Taken together, the four metropolitan cities viz., Delhi, Mumbai, Chennai and Kolkata consume over 60% of the total cheese sold in India. Mumbai tops the list with 30%, followed by Delhi at 20%, Kolkata at 7% and Chennai at 6%. In mom and pop stores as well as supermarkets we find tinned cheese and cheese cubes which are salted and ready-to-eat; cheese spread which was introduced as a substitute for butter; cheese singles (slice) which are used as stuffing for sandwiches; pizza cheese used as topping on pizzas which are fast becoming the preferred fast food in Indian metros.

Amul has even introduced a low calorie version of cheese called "slim cheese." Weight conscious people are slowly taking to this new product. Top players of branded cheese manufacturing in India include Amul, Britannia, Le Bon, Mother Dairy and others. Out of these, Amul has a market share of 65% according to Agri-Commodity Federation. There are others such as Vita and Vijaya who have a market share in the cheese market but their share is insignificant. During the last few years, the Indian cheese market has grown steadily at 15 to 20 per cent per annum according to a market survey of dairy products in India. The Australian cheese processor, Kraft, has made an inroad into the Indian market followed by Remia of Holland. Initially, the imported brands of cheese were introduced into Delhi, Mumbai, Kolkata and Chennai and were patronized by expatriates. But, now some Indians too have started taking a fancy for these brands.

**Market Profile**

The Indian organized cheese market including its variants like processed cheese, mozzarella, cheese spreads, flavoured and spiced cheese, is valued at around Rs 4.5 billion<sup>7</sup>. Processed cheese at 60% of the overall market is Rs 2.7 billion<sup>7</sup>. The next most popular variant is cheese spread claiming a share of around 30% of the total processed cheese market. The market is primarily an urban phenomenon and is known to be growing at around 15%<sup>7</sup>. The market for cheese cubes, slices and tins is growing. The flavoured cheese segment has been constantly declining.

Gujarat Cooperative Milk Marketing Federation (GCMF) with the Amul brand continues to be the main operator in the branded cheese market in India<sup>7</sup>. It pioneered the market for processed, branded cheese. What GCMF did was to develop the technology to make cheese from buffalo milk. World over it is made from cow milk. Britannia Industries joined the fray in the cheese market in mid-1990s through an arrangement with Dynamix Dairy Industries (DDI). It was set up in 1995 by a consortium of five companies - Conwood, Indo Saigon, Hiranandani, ETA and Metro. DDI has capacity to process 500,000 litres of milk per day with an estimated investment of Rs 1500 million<sup>7</sup>. The plant designed by Valio of Finland is run on technology tie-up with Schreiber Foods of the US. Schreiber is the largest supplier of processed cheese to fast food chains in the US with expertise in sliced cheese. Britannia's cheese is sold in tins in the form of cubes, and in individually wrapped slices in packs of fives and tens. The slices are being promoted more aggressively worldwide, and these account for a bulk of cheese consumption. These are gaining acceptance in India as well. Amul followed Britannia in launching slices. Its cheese spread in the form of paste has been well received in the market. Britannia has been concentrating on metros and large cities. The network covers some 60,000 dairy outlets equipped with cold cabinets, refrigerators and insulated boxes. Amul covers some 500,000 retail outlets.

French cheese major, Fromageries Bel, a 10-billion French franc outfit, has entered the Indian market with La Vache Kirit or what is worldwide known as The Laughing Cow. Its target market to start with were the two metros of Delhi and Mum-

bai with distribution entrusted to Delhi-based Rai & Sons, distributors for premium food brands, Ferraro Rocher and Ricola. The Bel product will be produced at Bel's facility in Poland exclusively for the Indian market. La Vache Kirit is a guaranteed vegetarian product. Fromageries Bel is expected to widen its product portfolio by launching laughing Kirit (creamy cheese in cube form) and Babybel (semi-hard with a wax coating appropriate for sandwiches). Laughing Cow was expected to be followed by an Austrian cheese brand, Happy Cow (owned by Woerle). Woerle has entered into a licensing arrangement with Veekay Foods & Beverages in Mumbai. Nestle and Kraft have been planning to make foray in the Indian market.

Foreign brands in India include: Provolone, Colby, Mozzarella and Parmesan from Italy, Cheddar from Dutch, Gryeueve. The new entrants will have to compete with well-established players such as Amul, Britannia's Milkman and Dabur's Le Bon, enjoying substantial market shares in the overall Indian cheese market. The US-based Philip Morris, which brought in its Kraft cheese brand earlier, has gained a significant presence in the market. The rest of the market is spread among Verka, Nandini, Vijaya and Vadilal.

Dabur had forayed into the dairy products market through its joint venture company, Dabon International, a 50:50 joint venture between Dabur India and French dairy products major Bongrain. The company claimed a product range of 20 different varieties of cheese under Le Bon brand. Dabon has a manufacturing facility at Noida with an installed capacity of 12,000 tonnes per annum. Incidentally, the government had, in a move in late April 2001, barred Dabon from marketing flavoured milk and processed cheese in the country. Dabur was to launch speciality cheese like blue cheese and hard cheese. It had plans to developing cold chains at the distributor and retail levels in the state capitals and major towns in order to increase penetration levels.

**Processed Cheese**

Leading Brands in the category: Amul, Britannia, Vijaya, Verka, Dabur (Le Bon), Vadilal, Kraft, Nandini

**Table 2: Processed Cheese-Market Growth Rate<sup>7</sup>**

Market Growth Rates	
1990-91 – 1996-97	18.5%
1996-97 – 2001-02	20.6%
2001-02 – 2006-07	11.7%
2004-05 – 2009-10	9.4%
2009-10 – 2014-15	7.4%

**Consumption Patterns**

There have been two significant changes in consumption patterns, affecting each end of the spectrum. In the mass consumption category, Indian consumers are more ready to buy off the shelf. Paneer, which all the major cheese producers are marketing as a branded product, was traditionally home made. Secondly, with greater international exposure, rising incomes and brand affiliation; the demand for niche cheese products has increased. Amul was an early mover in capitalizing on the demand for specialized cheeses like Gouda and Emmental. However, cheese consumption continues to be an urban phenomenon, with processed cheese and cheese spreads accounting for about 80% of the total cheese consumption.

Also, cheese is mostly consumed by children and is yet to be part of the mainstream adult diet on a mass scale. Children will continue to be the largest consumers of cheese. Of the predicted increase in demand in future, children will contribute to the largest proportion in tier 2 cities while it will be adults in the metros. To cater to this increase, it is also likely that cheese producers introduce new varieties of specialty cheese in the metros

**Increasing and Widespread Demand**

Based on a multi-year study of dairy consumption patterns in China, Mckinsey predicts a growth in the demand for Cheese by 40% by 2011. With India having similar consumer trends- namely, growing incomes, westernization and urbanization - Indian demand is likely to mirror Chinese patterns. Two conspicuous outcomes are: i) There is likely to be a 25%-30% increase in demand in the metros and ii) There is likely to be a 5%-10% growth in demand in tier 2 cities as urbanization and modern consumption patterns extend to these cities.

**Food Technology Improvements**

Many regional cheese brands are currently not able to retail nationwide because of the limited shelf life of their cheese products. For example, Mother Dairy, a subsidiary of the National Dairy Development Board and a hugely successful retailer has confined most of its sales to the northern belt. Its reason- the shelf life of most of its dairy products including cheese is only about 10 days. India being the second largest country in the world and a land of distances, most regional producers do not have the advanced packaging, processing and distribution technology for geographical expansion. Despite this hindrance, Mother Dairy's sales for cheese are increasing at about 30-40% a year<sup>16</sup>. In the next 3 years, regional players will be forced to adopt new technologies that enable them to go national to survive.

**Intense Competition among Sellers**

The two pronged strategy that sellers will follow in the next few years is i) to increase the size of the market through greater awareness, and ii) to increase availability of cheese products to the expanded market.

The Amul and Britannia brands have the strongest national dairy brand identity. To compete with these established brands and gain national presence, other cheese retailers will resort to heavy marketing. Cheese advertising budgets alone are likely to be around 2%-4% of total revenues. Advertising strategies could include, for e.g. cross selling with complementary food products and offering free cheese tasting sessions.

In the past couple of years, for example, Mother Dairy has already been pursuing aggressive advertising strategies. One successful promotion in Delhi and Mumbai was the "Cheese khao superhero ban jao" (Eat Cheese to become a Superhero) event, where kids buying cheese at retail outlets were invited for a photo shoot dressed as superheroes - through Polaroid cameras and the framed photograph presented to them. Another helped the company bond better with its retailers. In November 2005, retailers in Delhi displayed banners proclaiming, "Cheese ke saath bees ki cheez" (Buy Cheese and get Rs. 20 worth of freebies), a proposal where, if a consumer bought Mother Dairy cheese, the retailer would offer her free purchases worth Rs 20 from the store. Both these innovative campaigns were hugely successful in brand awareness and sales.

**Indianization' of Processed Cheese**

Dabon, in acknowledgement of customer preferences for indigenous cheese, has customized their portfolio to include paneer. The next three years will see new Indian flavours of cheese being introduced in the processed cheese and cheese spread market. The Indian consumer has unique tastes with variations even across regions. Both Indian and International brands are likely to 'Indianize' their cheese products with Indian flavours to attract a larger customer base.

**Marketing Efforts**

In terms of market segmentation, all the Indian cheese brands cater primarily to the retail sector. On the other hand, Dabon International Private Limited and Bel Fromageries have a retail and institutional client focus. The institutional sector, comprising fast food chains, restaurants, in-flight caterers and hotels also source their cheese from private dairy companies like Dynamix Dairy.

Geographically, cheese is produced and marketed for domestic consumption. Amul Malai Paneer is only cheese product exported to the Middle East, Singapore and North America. Paneer is targeted at the large Non Resident Indian (NRI) population in these countries.

Importing cheese, especially for mass consumption faces two main stumbling blocks:

- i. High costs: Added to the high cost of importing cheese, importers often also have to invest substantially in a distribution network due to the lack of cold chains. Indian consumers are price sensitive and importers find it difficult competing against local, better priced brands, which are also in synch with the local palate.
- ii. Inordinate time lag in supplies: Due to logistics and the duration of the import process, replenishing stock takes at least a couple of months, making it difficult for importers to cater rapidly to demand variations.

One of the biggest problems in the marketing of cheese is the lack of existing infrastructure, especially cold chains from the producer to the consumer. Existing players, especially Amul that also uses such facilities for its other dairy products like milk, already has a fairly well established national network. However, new entrants, including importers need to make extra infrastructural investments. This can be quite daunting for companies that are making a market entry into the dairy and cheese industry, particularly with limited existing knowledge of current distribution issues.

The lack of cold storage facilities cause the biggest problems to regional players who are trying to gain a national presence. They neither have existing infrastructure nor the financial muscle of international companies. To improve logistical issues, some regional players, like Mother Dairy are positioning their plants in different geographical regions.

### Amul - the World's Biggest Vegetarian Cheese Brand

The Land of sacred cows has become the world's largest pro-

ducer of vegetarian cheese. India's Amul is now the biggest brand for vegetarian cheese as the Global Indian even now prefers 'desi shuddh' taste over the premium Bries and Camemberts of the West.

With demand pouring in from London to Ludhiana, exports will hit a record 600 tonnes this year as Amul shreds competition with a growth of more than 20 per cent. Amul's vegetarian cheeses are manufactured using rennet from either fungal or bacterial sources. That makes it pure vegetarian, which is important for Indians. That is also why it says "vegetarian cheese" on the pack. As it also has a unique taste because it is derived from buffalo milk, NRIs across the world prefer to buy Indian cheese. Amul is exporting cheese to the Middle East, USA, Singapore, Hong Kong, and neighbouring countries like Bhutan, Nepal and Sri Lanka.

Though there are many vegetarian cheese producers in the world, Amul would certainly be the single largest exporter. Amul Cheddar is the top selling brand in India, with a 50 per cent share of the market. Its cheese spreads have a 90 per cent share of the market, while it is the only large player in mozzarella pizza cheese<sup>15</sup>.

### CONCLUSION

The popularity and use of cheese though is less, yet it is remarkable as it is still making lots of profits. The demand for cheese is projected to grow from about Rs. 4.50 billion in 2003-04 to over Rs 11.00 billion by the terminal year of the projection period, 2014-15<sup>7</sup>. Cheese is becoming a popular item in the menu of all relatively affluent families. Nowhere else do people consume cheese in so many different forms and use cheese in so many varieties of food preparation as in India. Slowly but surely, it will penetrate into the rural markets. With one of the largest consumer bases in the world, cheese could be a multi-million dollar industry in India.

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