

# Milk procurement by private dairies in India

**HAP**

Hatsun Agro Product Limited

September 2021



© 2021 CRISIL Ltd. All rights reserved.

Research

This study has been commissioned by Hatsun Agro Product Limited on CRISIL Ltd.

**CRISIL**  
An S&P Global Company

# Contents

- **State-level analysis**

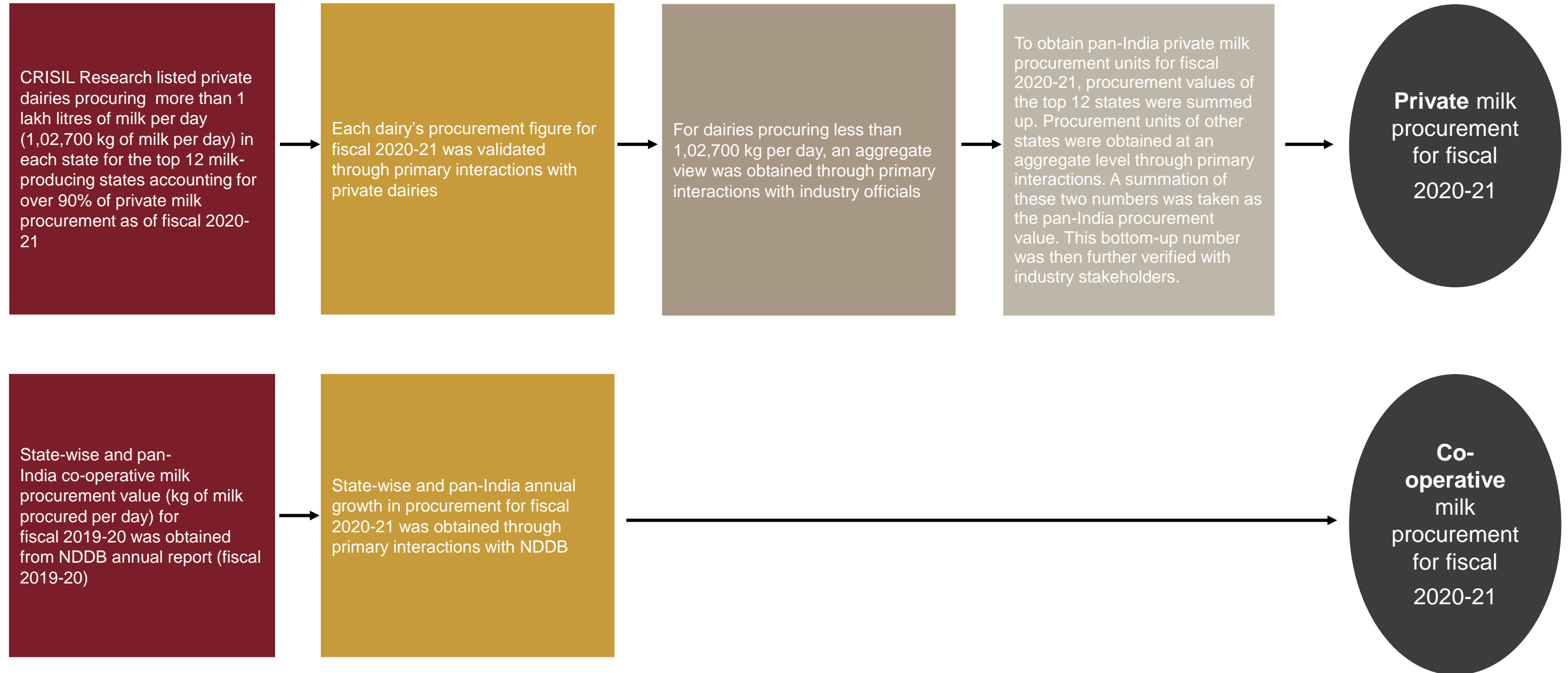
- Milk procurement by private and co-operative dairies
- Share of key private dairies in milk procurement

- **Central-level analysis**

- Co-operative focussed schemes announced by the government
- Impact of these schemes on the private dairy business

# State-wise analysis

# Methodology

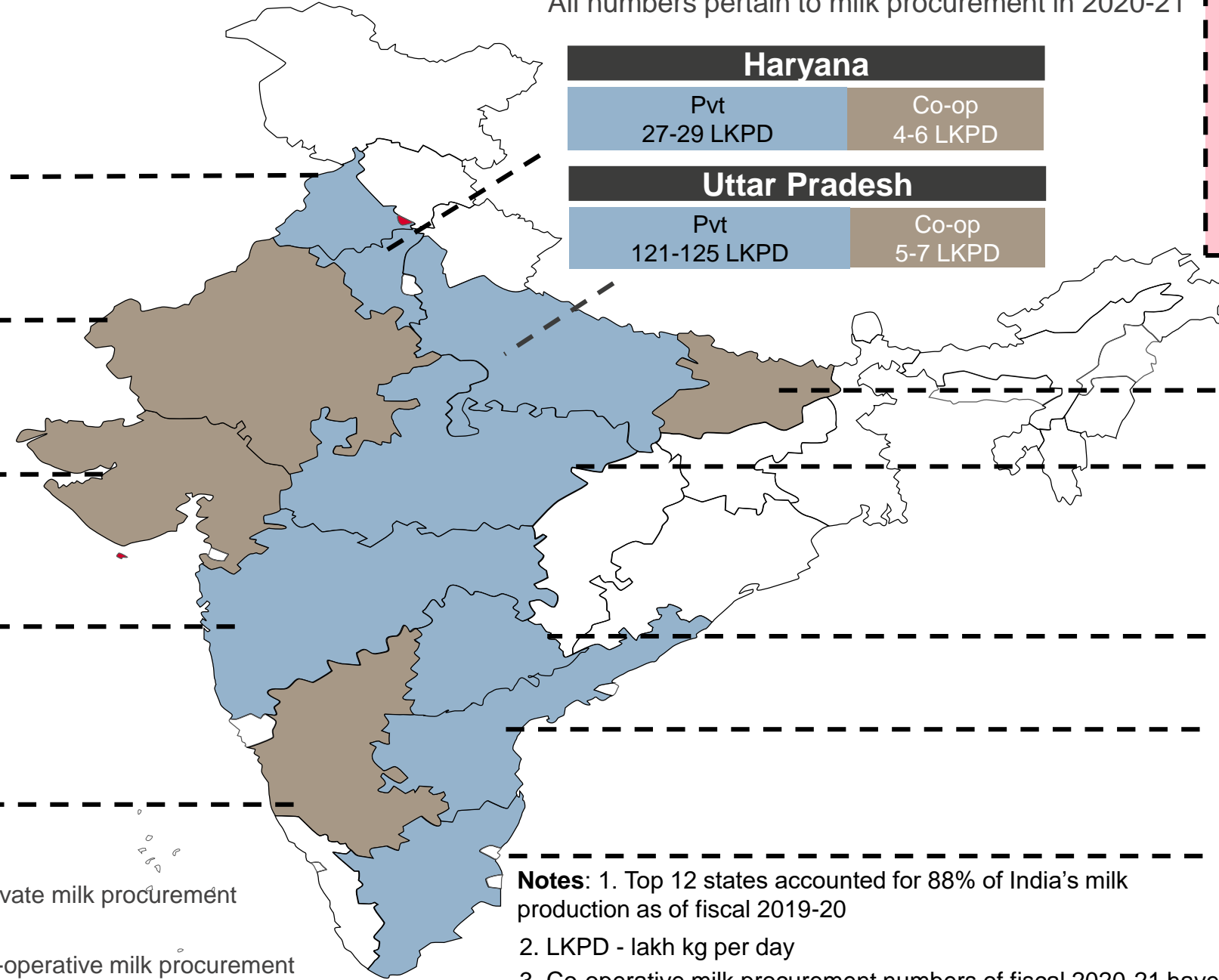
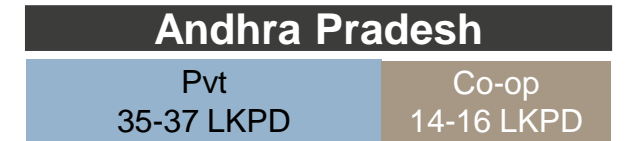
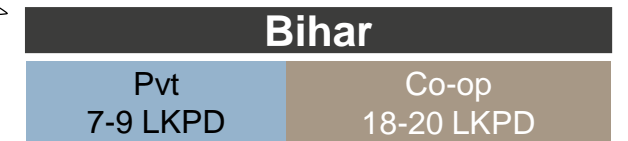
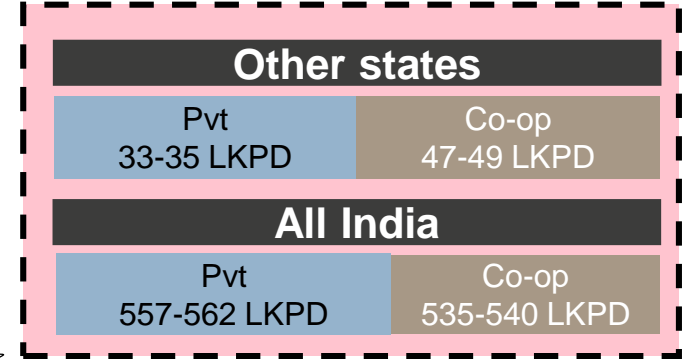
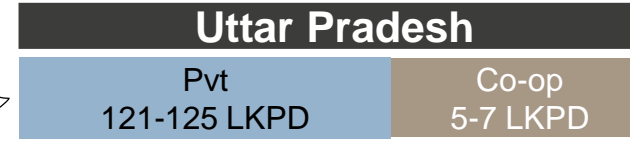
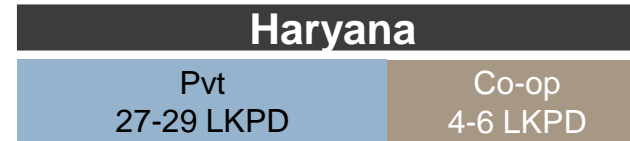
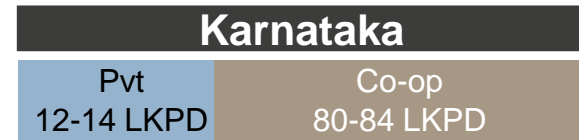
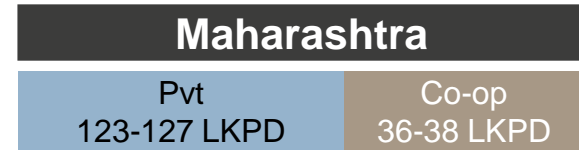
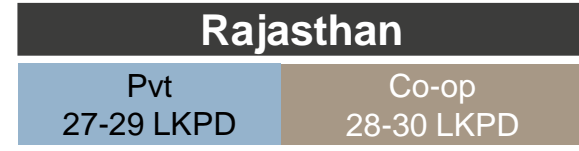
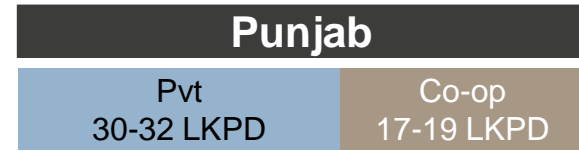


Note: Density of milk has been taken as 1.027 kg/litre

© 2021 CRISIL Ltd. All rights reserved.

# Summary: Private players have a strong foothold in 8 of the top 12 milk-producing states in India

All numbers pertain to milk procurement in 2020-21



States with higher private milk procurement volume

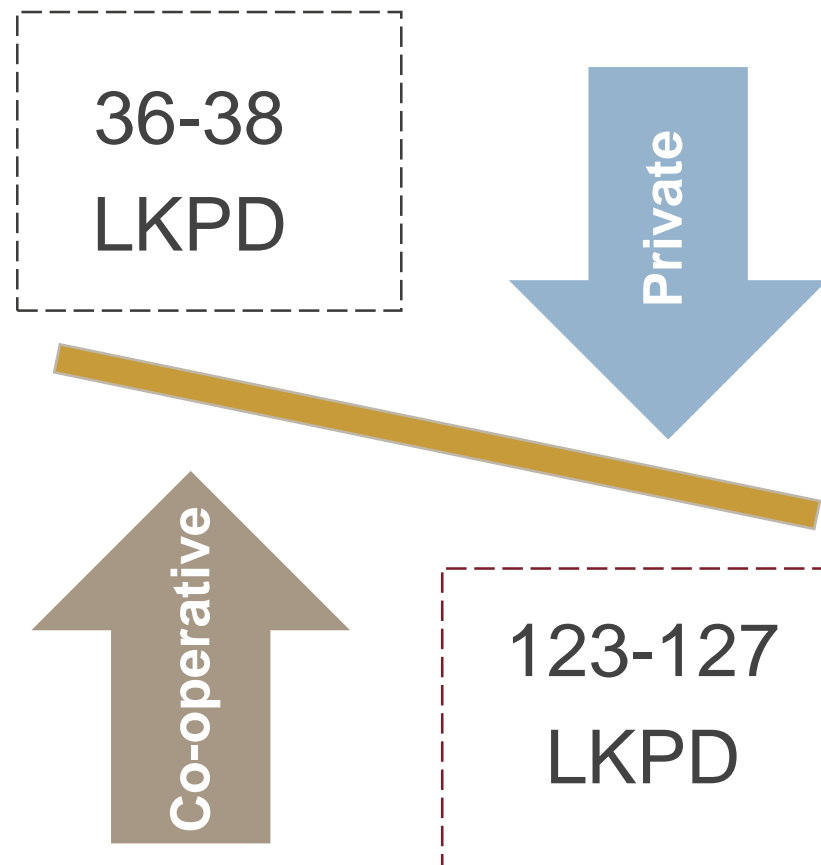
States with higher co-operative milk procurement volume

- Notes:**
1. Top 12 states accounted for 88% of India's milk production as of fiscal 2019-20
  2. LKPD - lakh kg per day
  3. Co-operative milk procurement numbers of fiscal 2020-21 have been arrived at by applying a growth rate of 10% over the numbers of 2020 reported in NDDB's annual report for fiscal 2019-20
  4. The numbers stated above pertain to organised procurement, which accounts for 40-45% of marketable surplus; Of the total milk production, ~55% of milk is sold as marketable surplus

© 2021 CRISIL Ltd. All rights reserved.

# Maharashtra

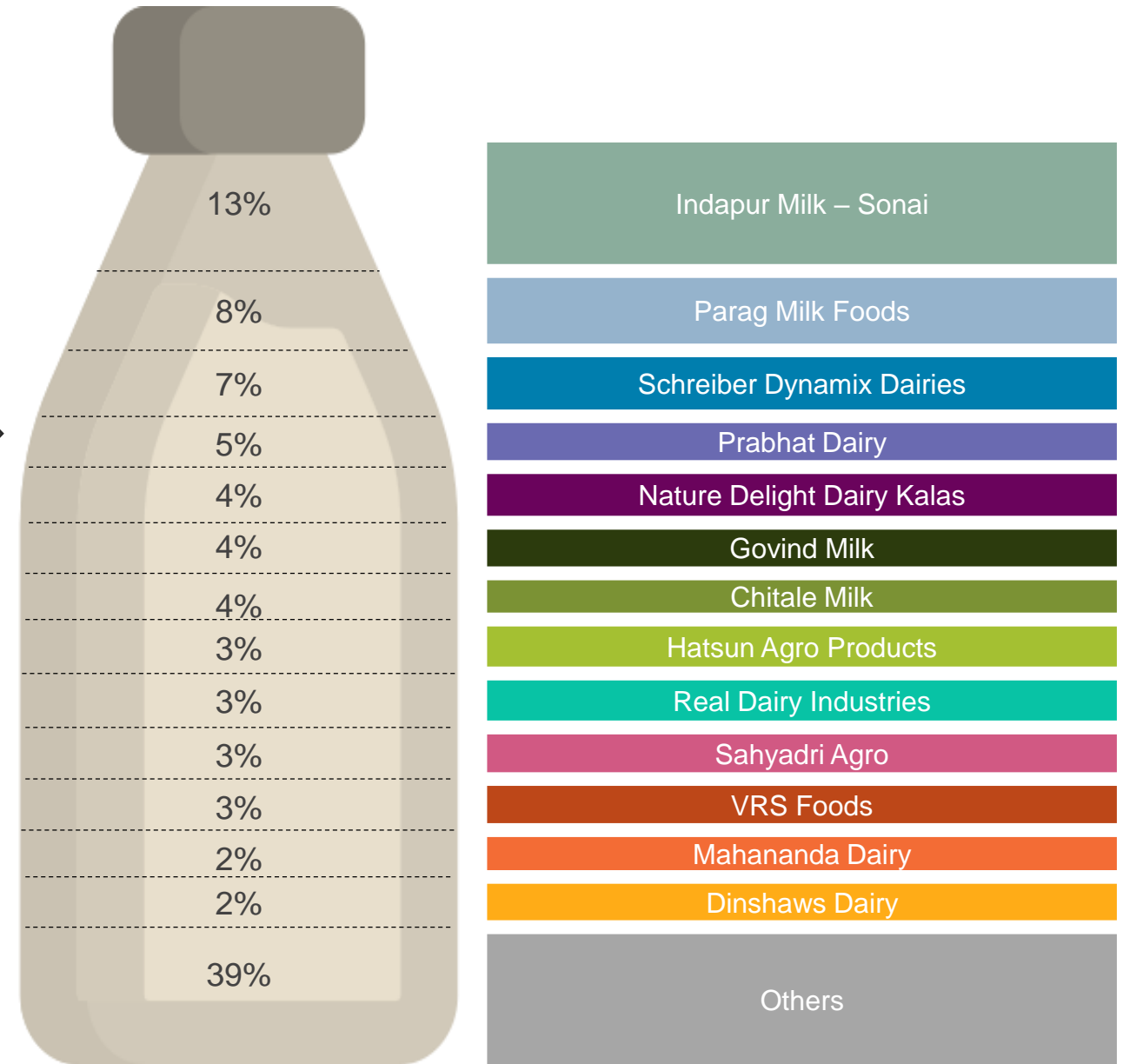
## Milk procurement scenario (fiscal 2020-21)



LKPD – lakh kg per day

Source: Primary interactions with industry stakeholders, NDDB

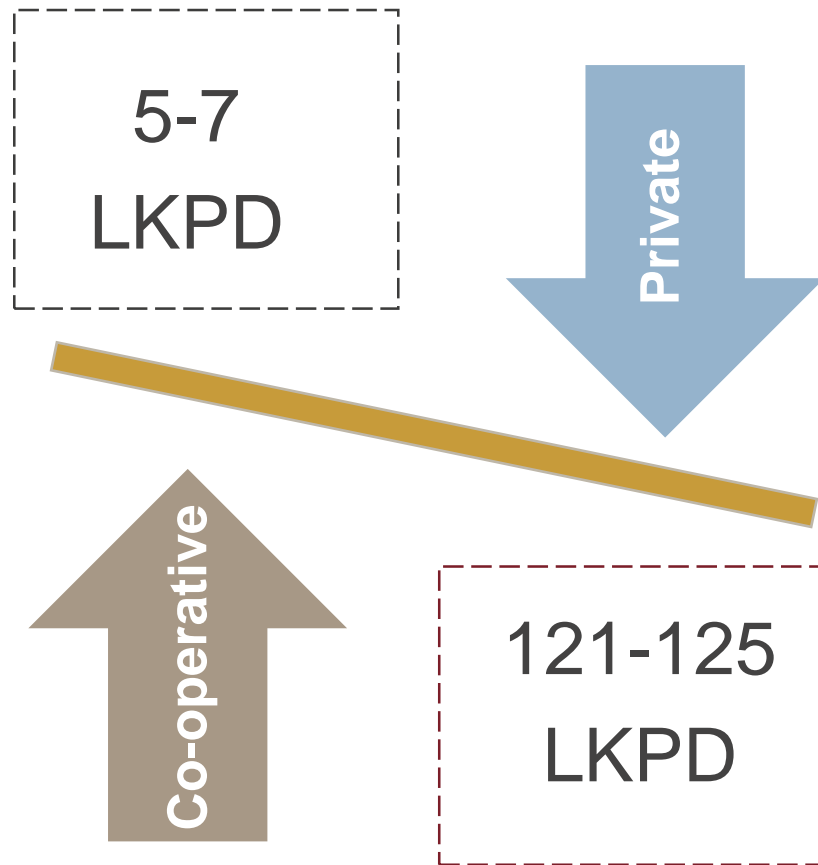
Break-up of private procurement



Note: Others include 14 companies procuring over 1 LKPD and 117 companies procuring less than 1 LKPD; break-up of all the companies constituting 'others' is available

# Uttar Pradesh

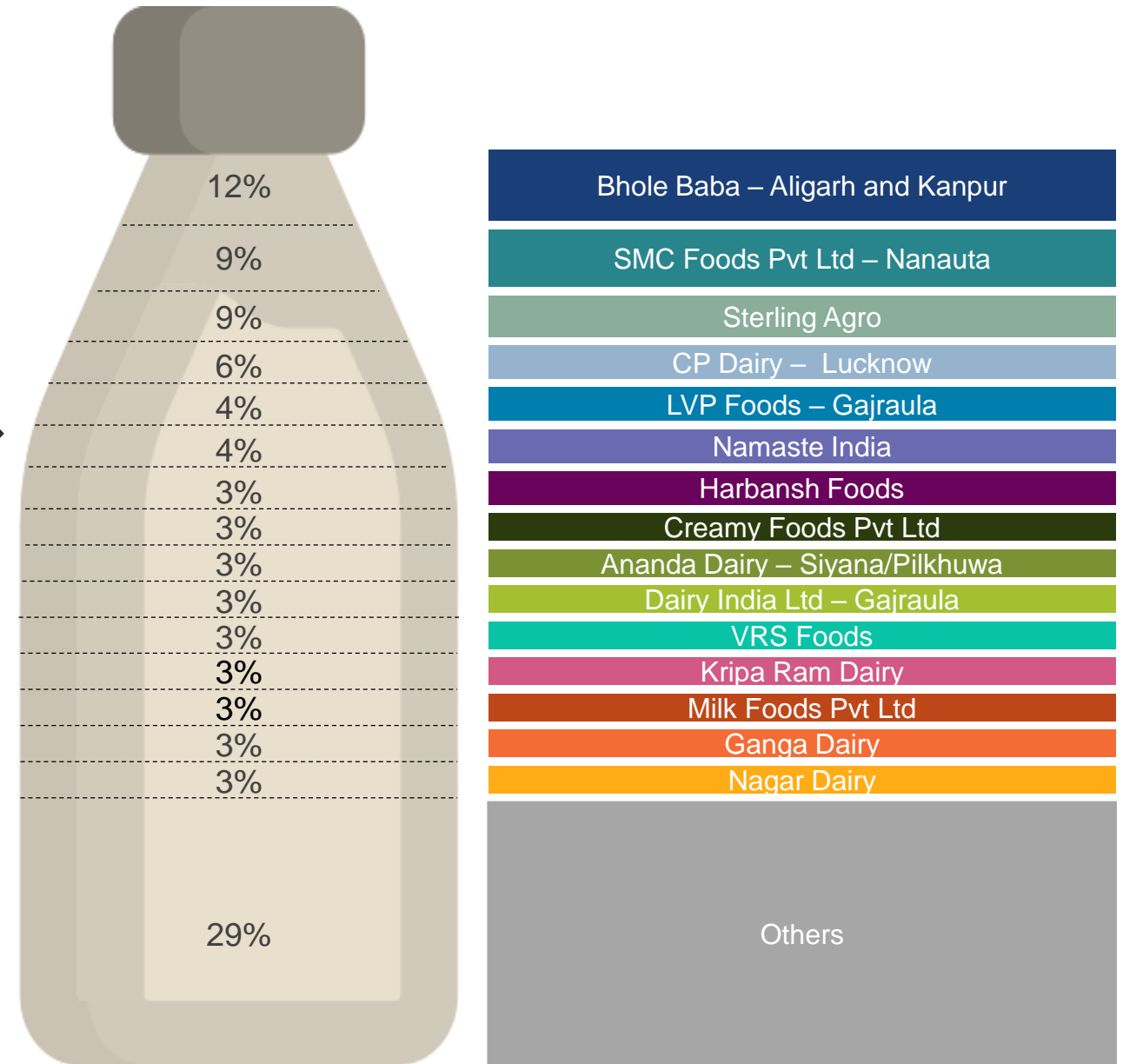
## Milk procurement scenario (fiscal 2020-21)



LKPD – lakh kg per day

Source: Primary interactions with industry stakeholders, NDDB

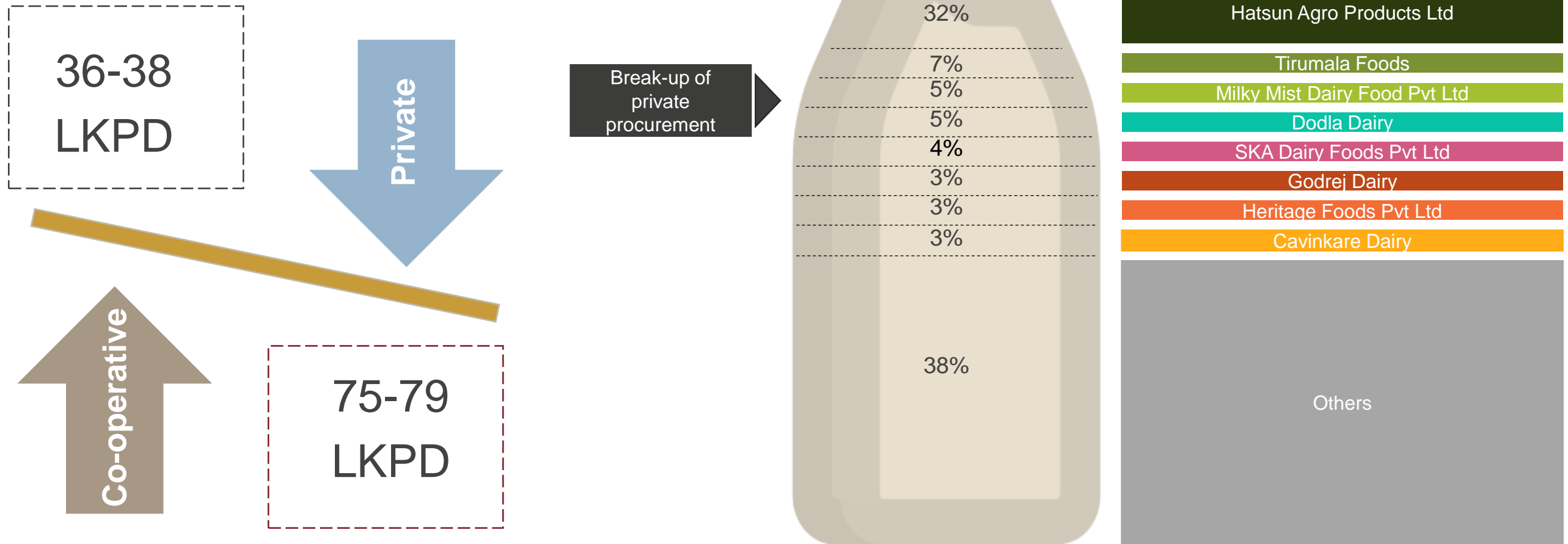
Break-up of private procurement



Note: Others include 18 companies procuring over 1 LKPD and five companies procuring less than 1 LKPD; company break-up of 26% of the total 29% of 'others' is available

# Tamil Nadu

## Milk procurement scenario (fiscal 2020-21)



LKPD – lakh kg per day

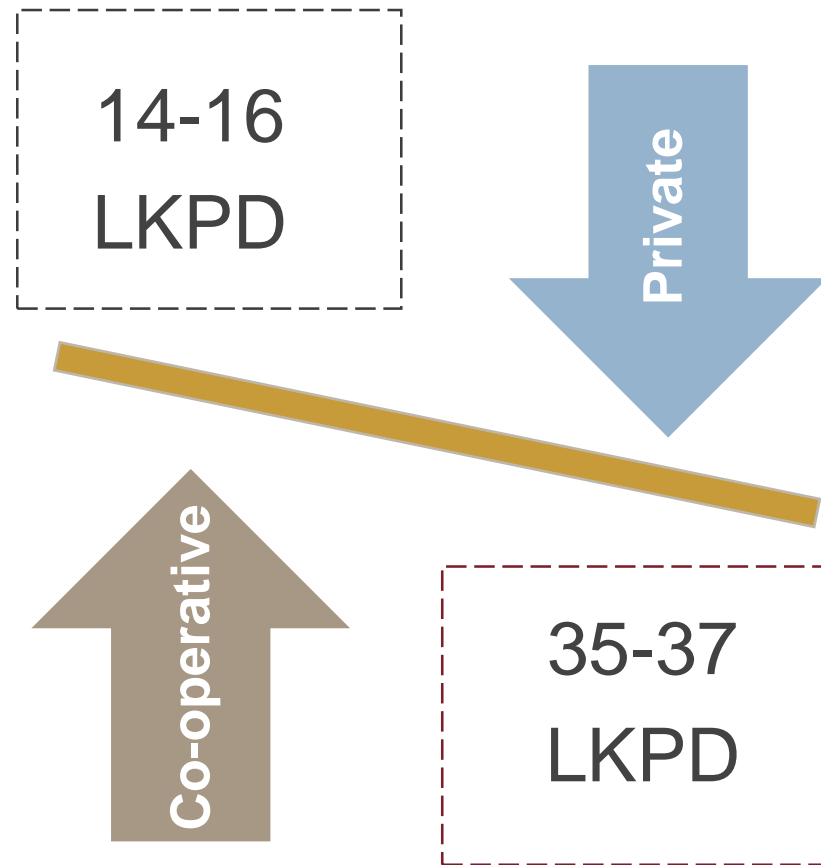
Source: Primary interaction with industry stakeholders, NDDB

Note: Others include seven companies procuring over 1 LKPD and 35 companies procuring less than 1 LKPD; break-up of all the companies constituting 'others' is available



# Andhra Pradesh

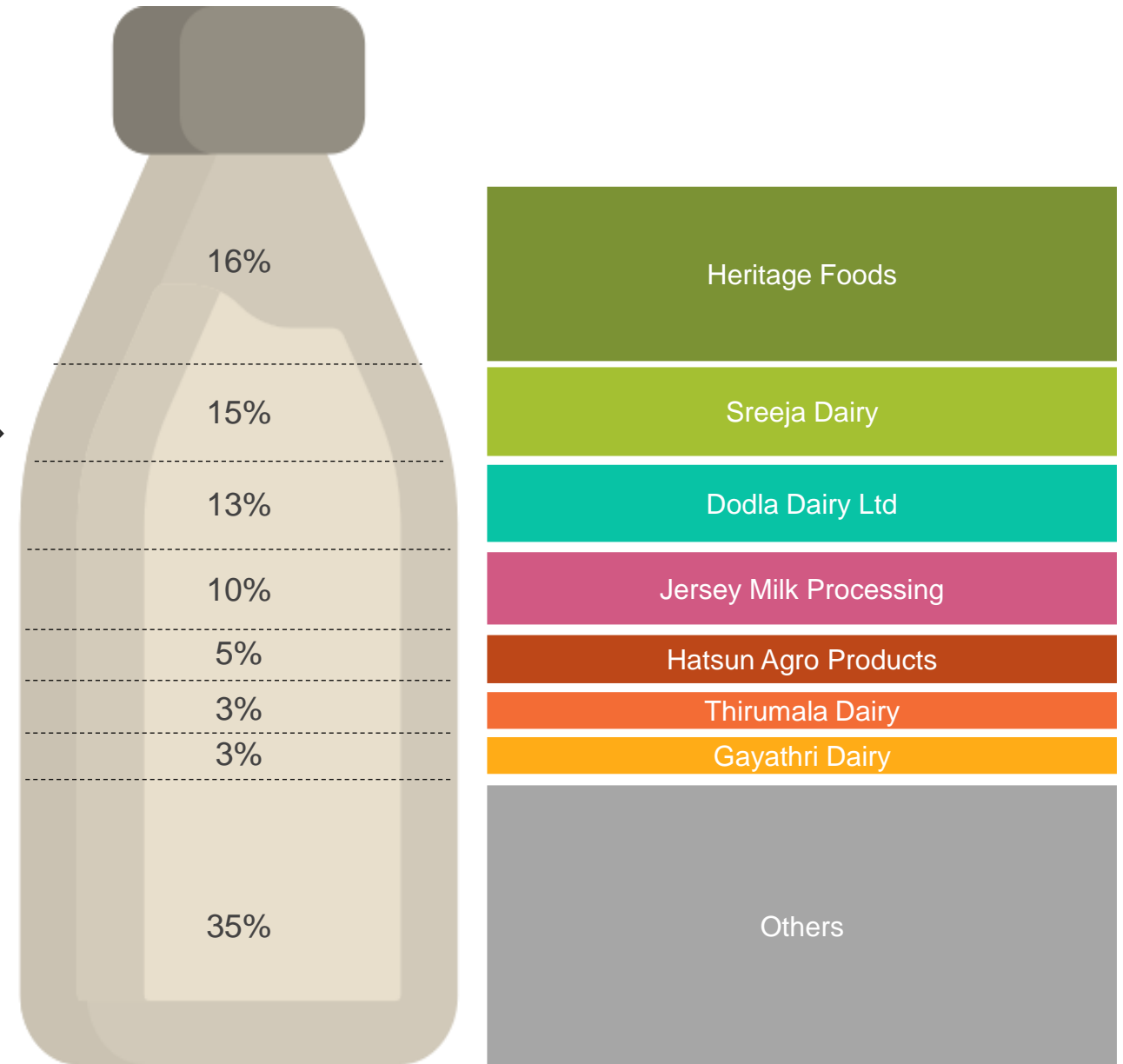
## Milk procurement scenario (fiscal 2020-21)



LKPD – lakh kg per day

Source: Primary interactions with industry stakeholders, NDDB

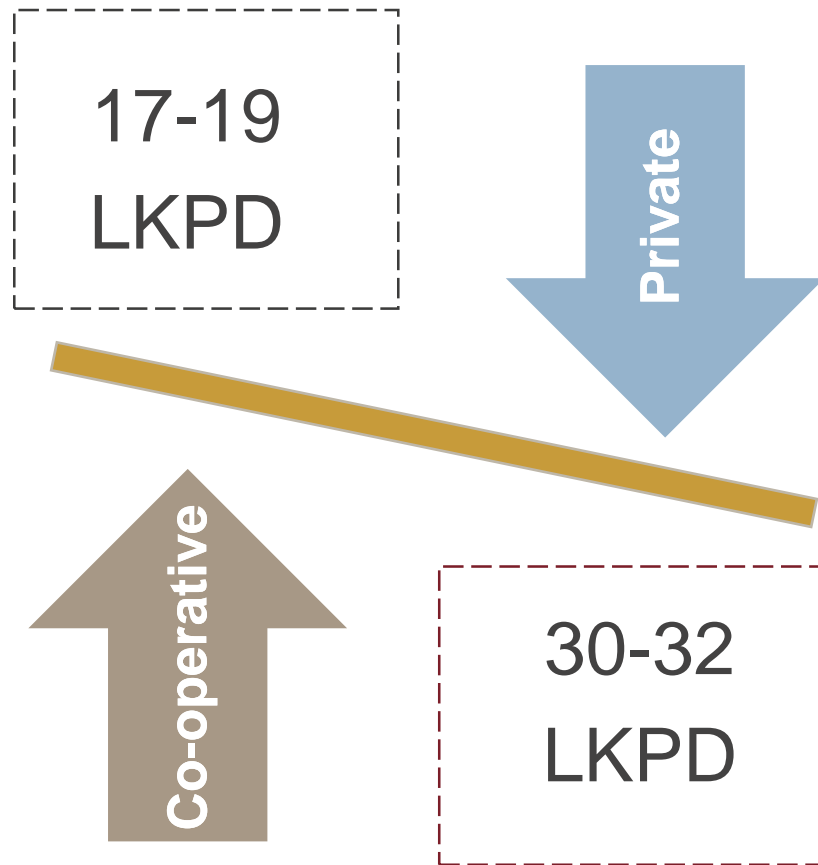
Break-up of private procurement



Note: Others include 15 companies procuring less than 1 LKPD; company break-up of 16% of the total 39% of 'others' is available

# Punjab

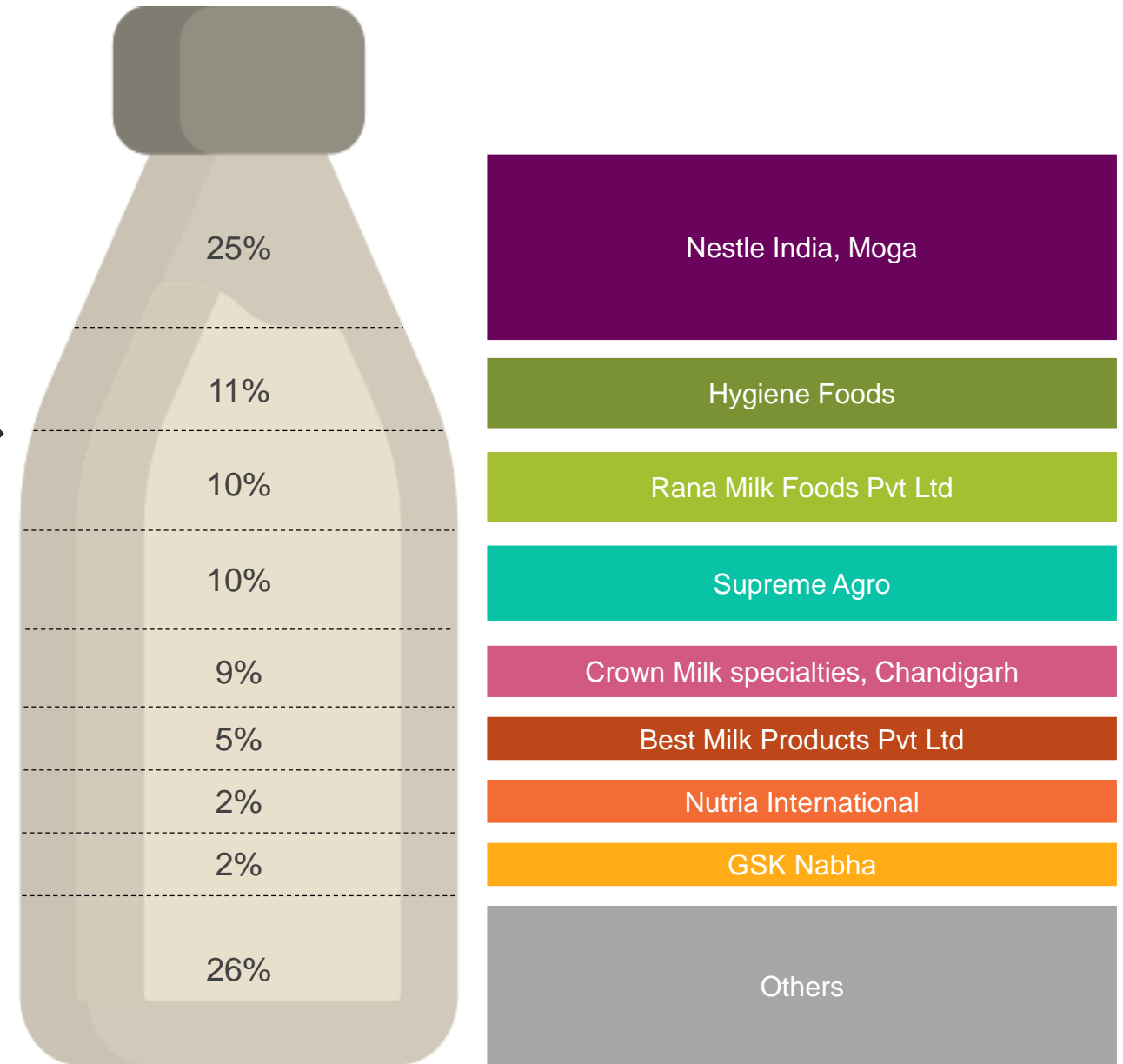
## Milk procurement scenario (fiscal 2020-21)



LKPD - lakh kg per day

Source: Primary interactions with industry stakeholders, NDDB

Break-up of private procurement

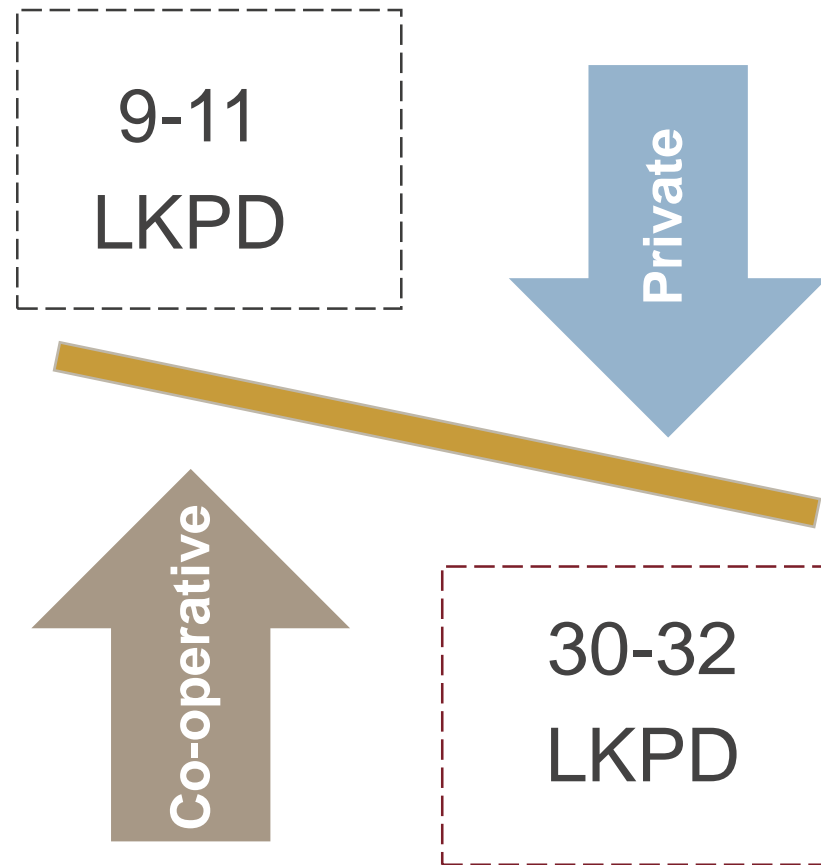


Note: Procurement units for 'others' is obtained on an aggregate basis

© 2021 CRISIL Ltd. All rights reserved.

# Madhya Pradesh

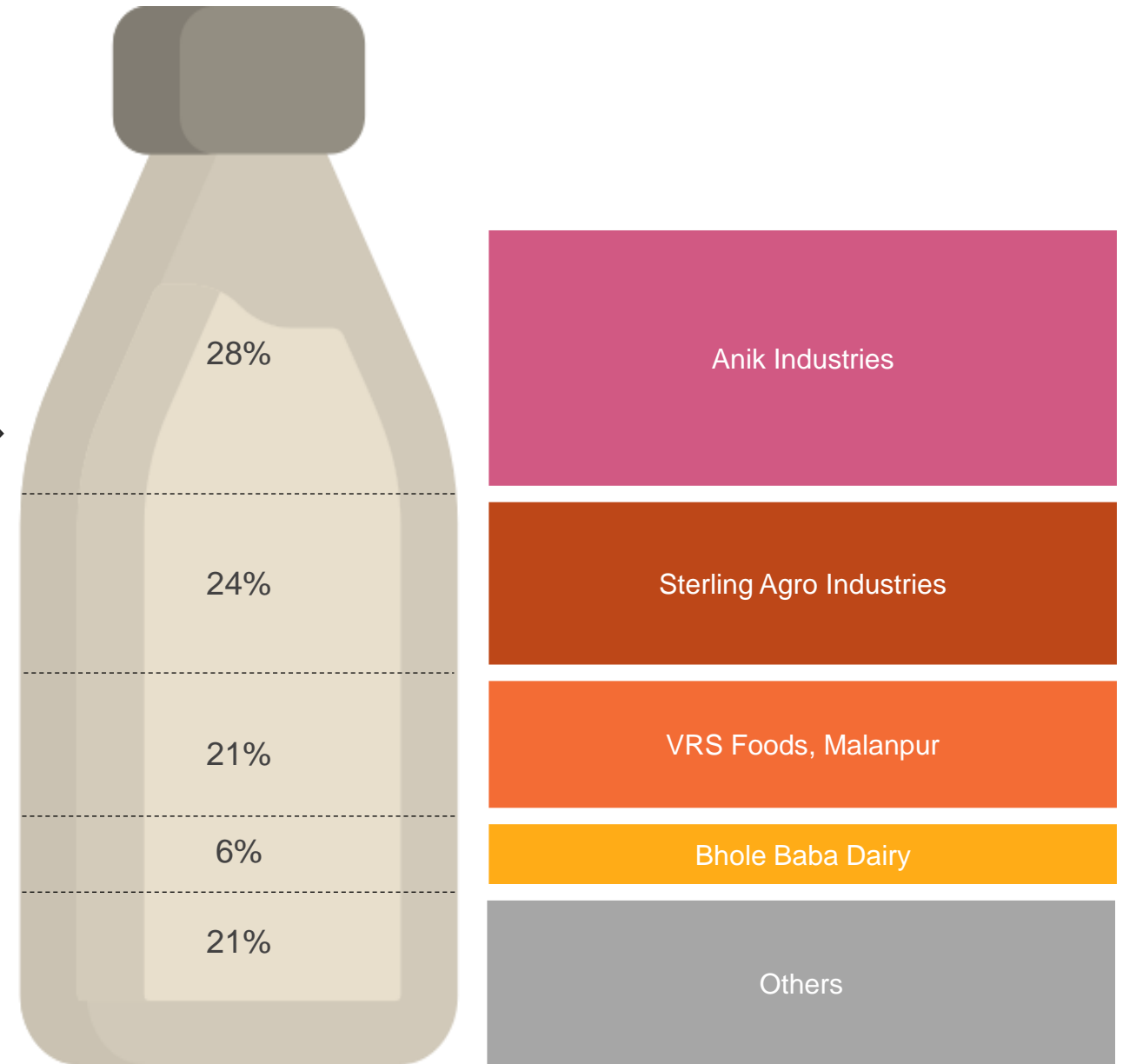
## Milk procurement scenario (fiscal 2020-21)



LKPD - lakh kg per day

Source: Primary interactions with industry stakeholders, NDDB

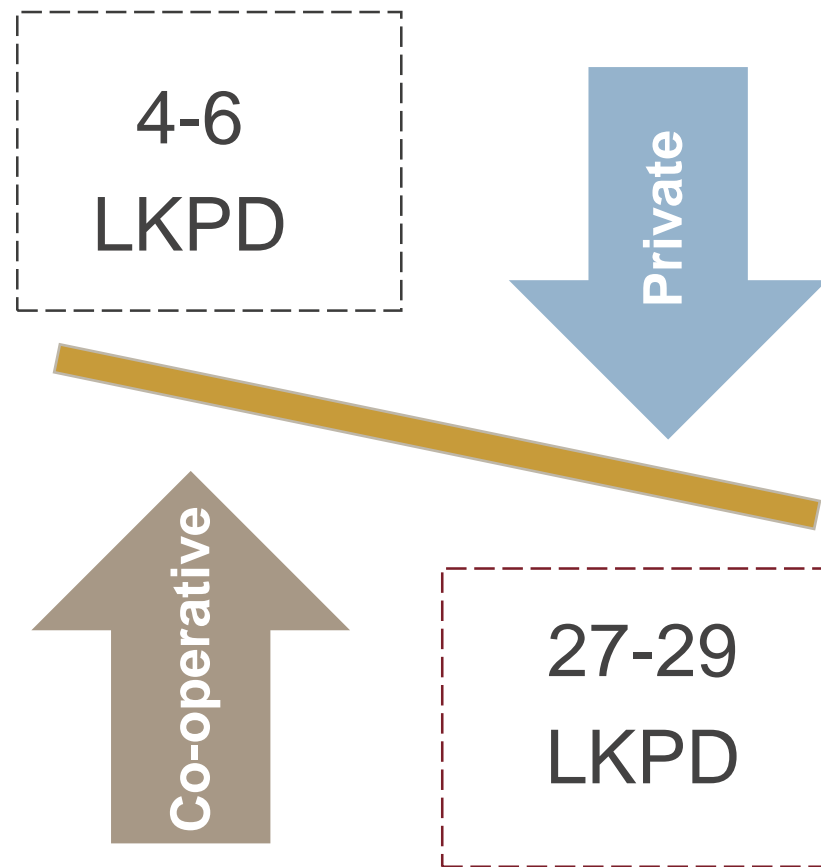
Break-up of private procurement



Note: Procurement units for 'others' is obtained on an aggregate basis

# Haryana

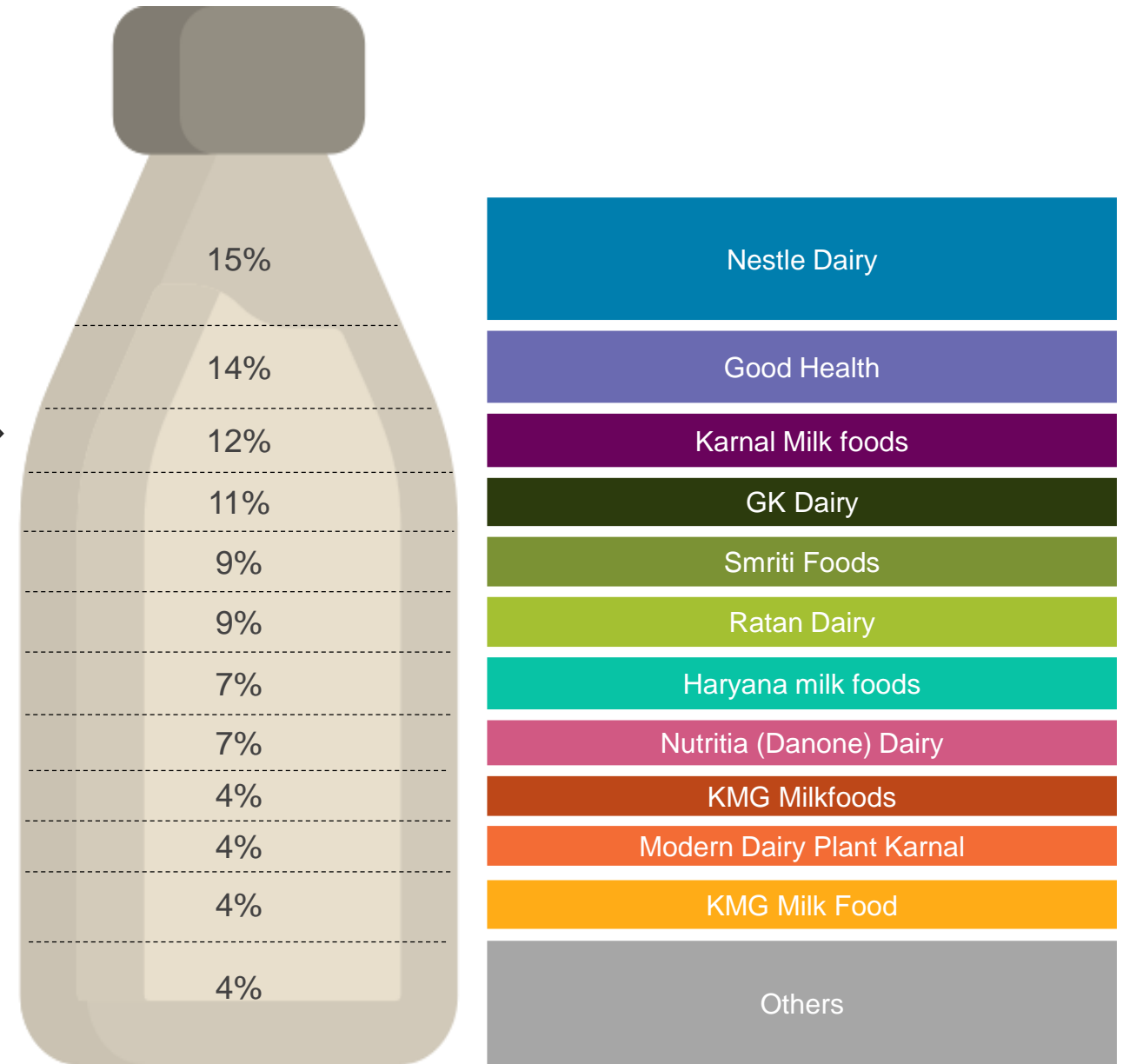
## Milk procurement scenario (fiscal 2020-21)



LKPD – lakh kg per day

Source: Primary interactions with industry stakeholders, NDDB

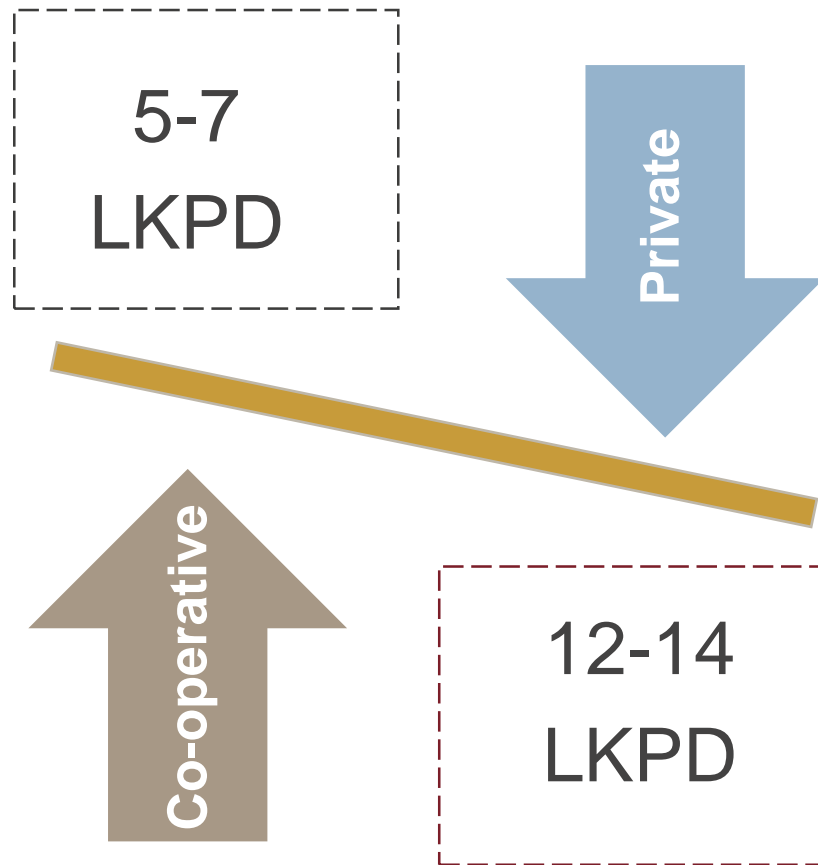
Break-up of private procurement



Note: Procurement units for 'others' are obtained on an aggregate basis

# Telangana

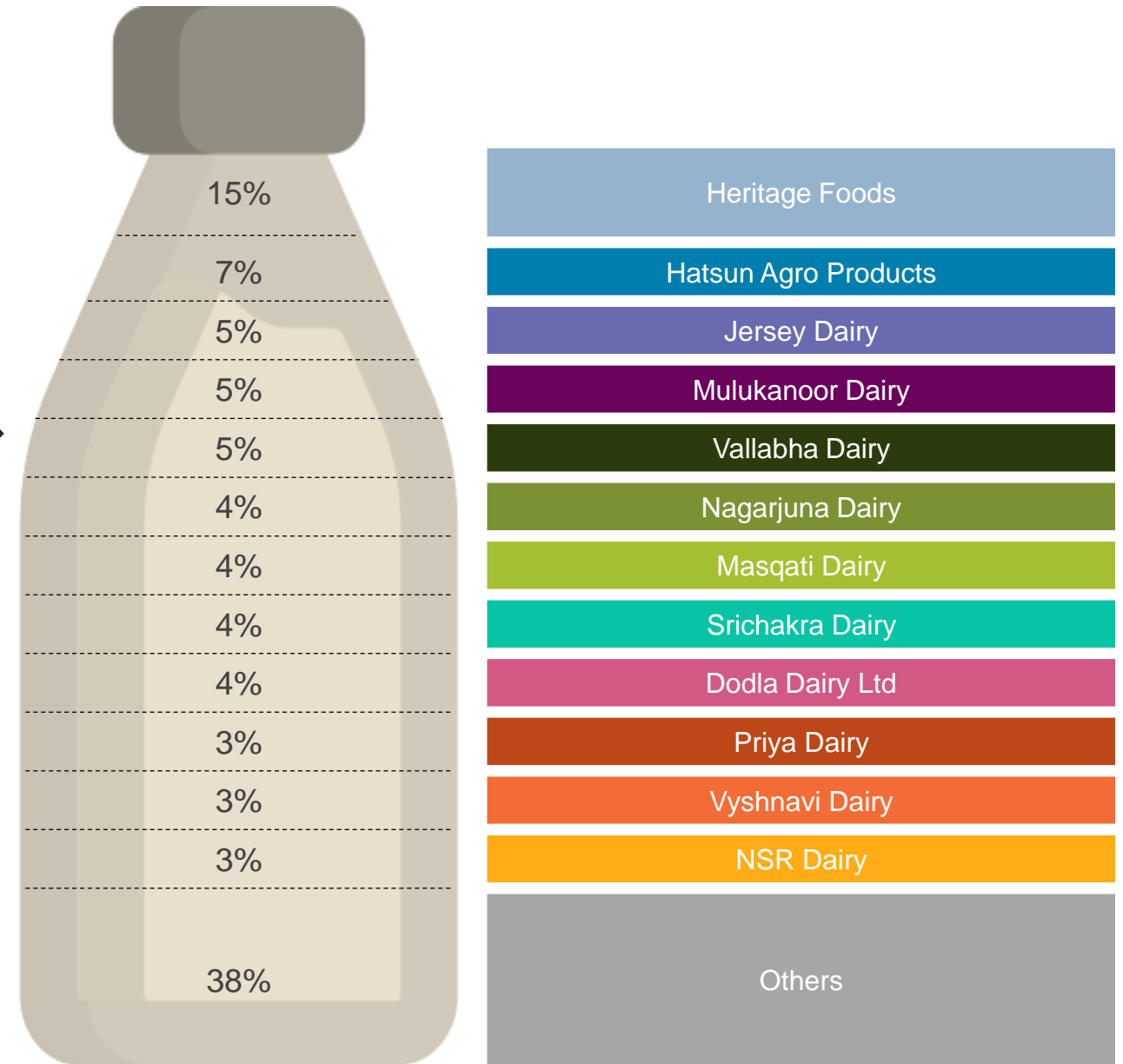
## Milk procurement scenario (fiscal 2020-21)



LKPD - lakh kg per day

Source: Primary interactions with industry stakeholders, NDDB

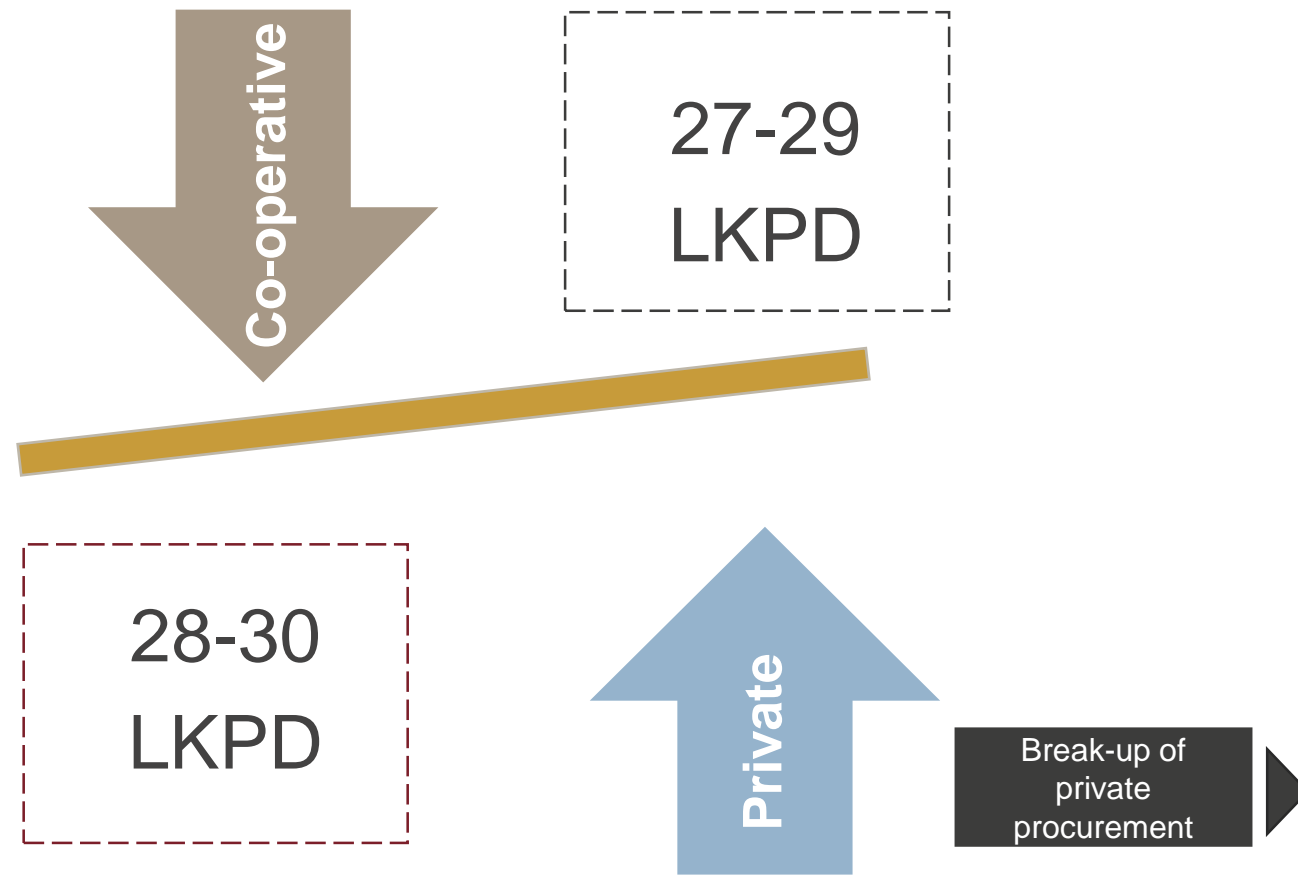
Break-up of private procurement



Note: Others include but is not limited to five companies procuring less than 1 LKPD. Company break-up of 8% of the total 39% in 'others' is available

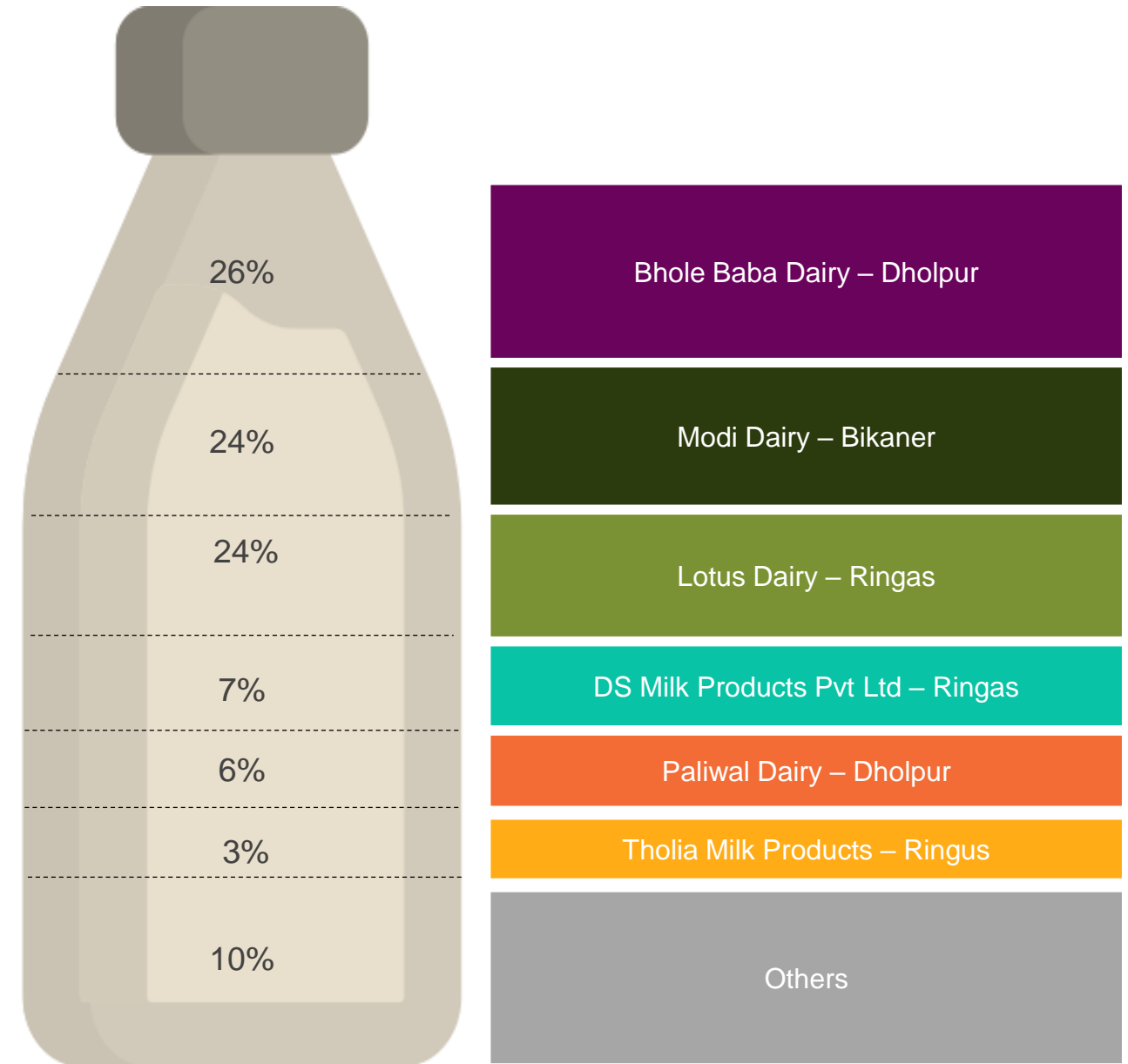
# Rajasthan

## Milk procurement scenario (fiscal 2020-21)



LKPD - lakh kg per day

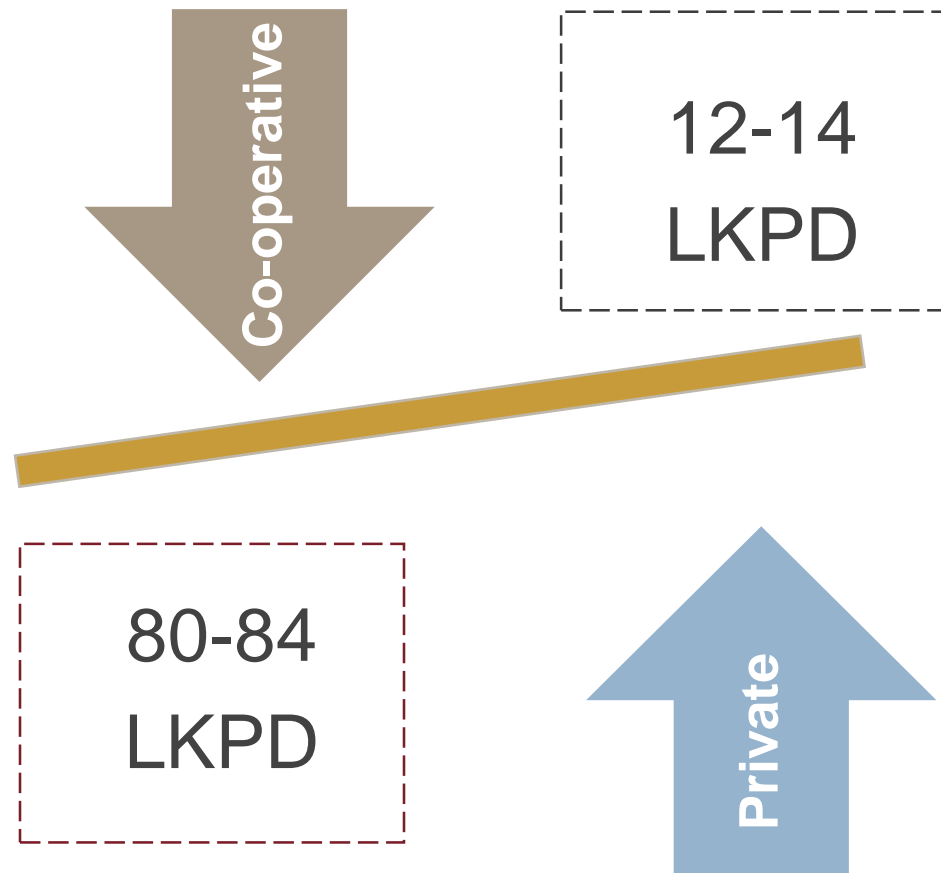
Source: Primary interactions with industry stakeholders, NDDB



Note: Procurement units for 'others' are obtained on an aggregate basis

# Karnataka

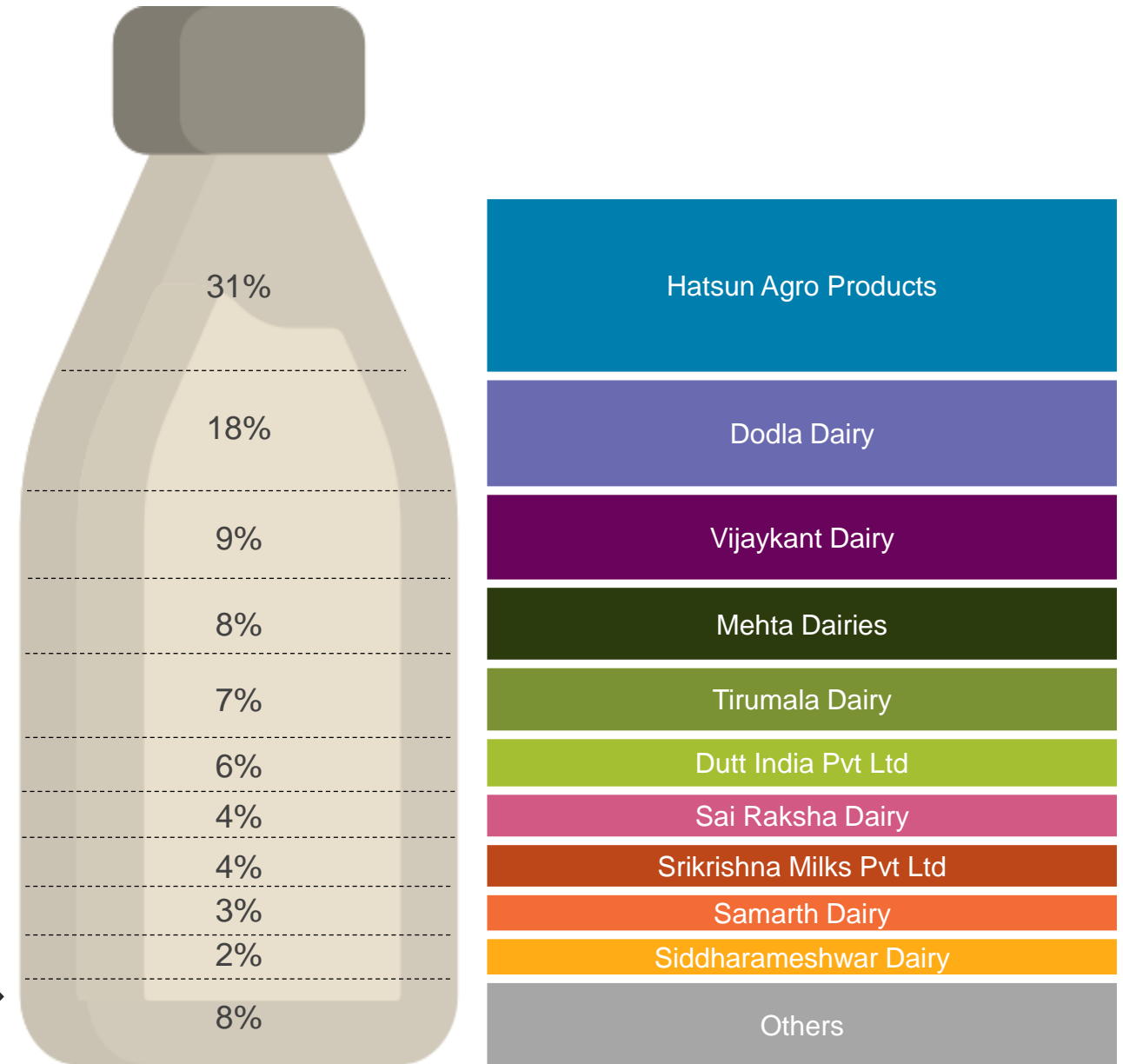
## Milk procurement scenario (fiscal 2020-21)



LKPD - lakh kg per day

Source: Primary interactions with industry stakeholders, NDDB

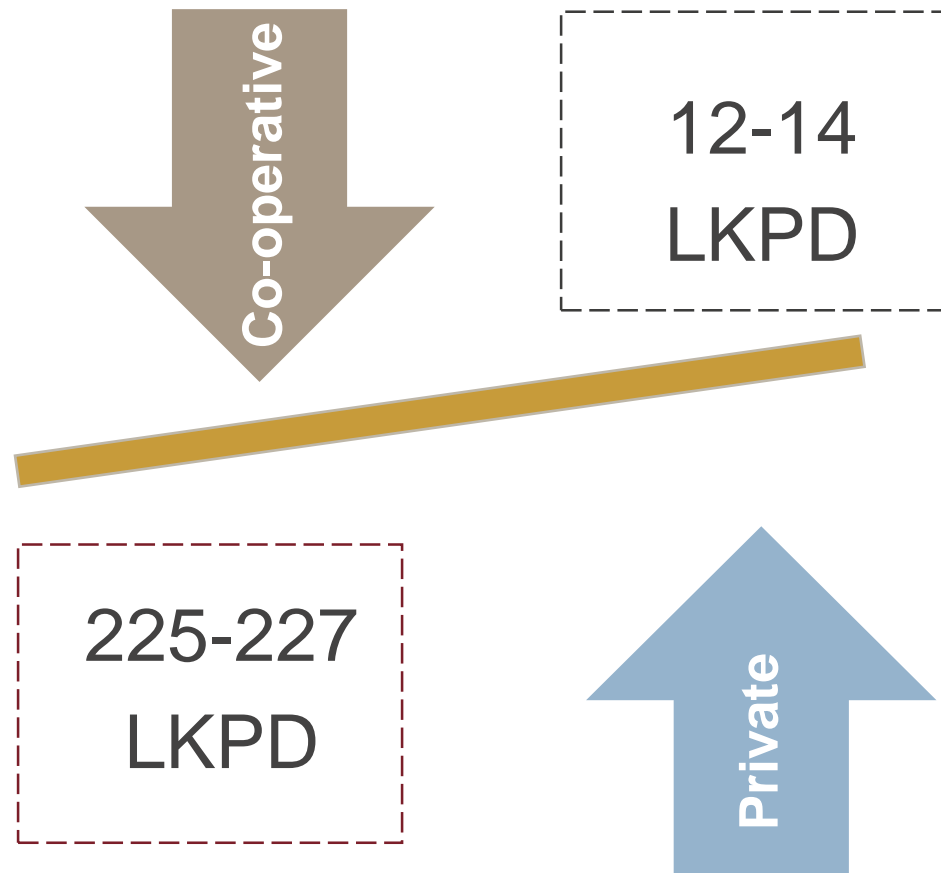
Break-up of private procurement



Note: Procurement units for 'others' is obtained on an aggregate basis

# Gujarat

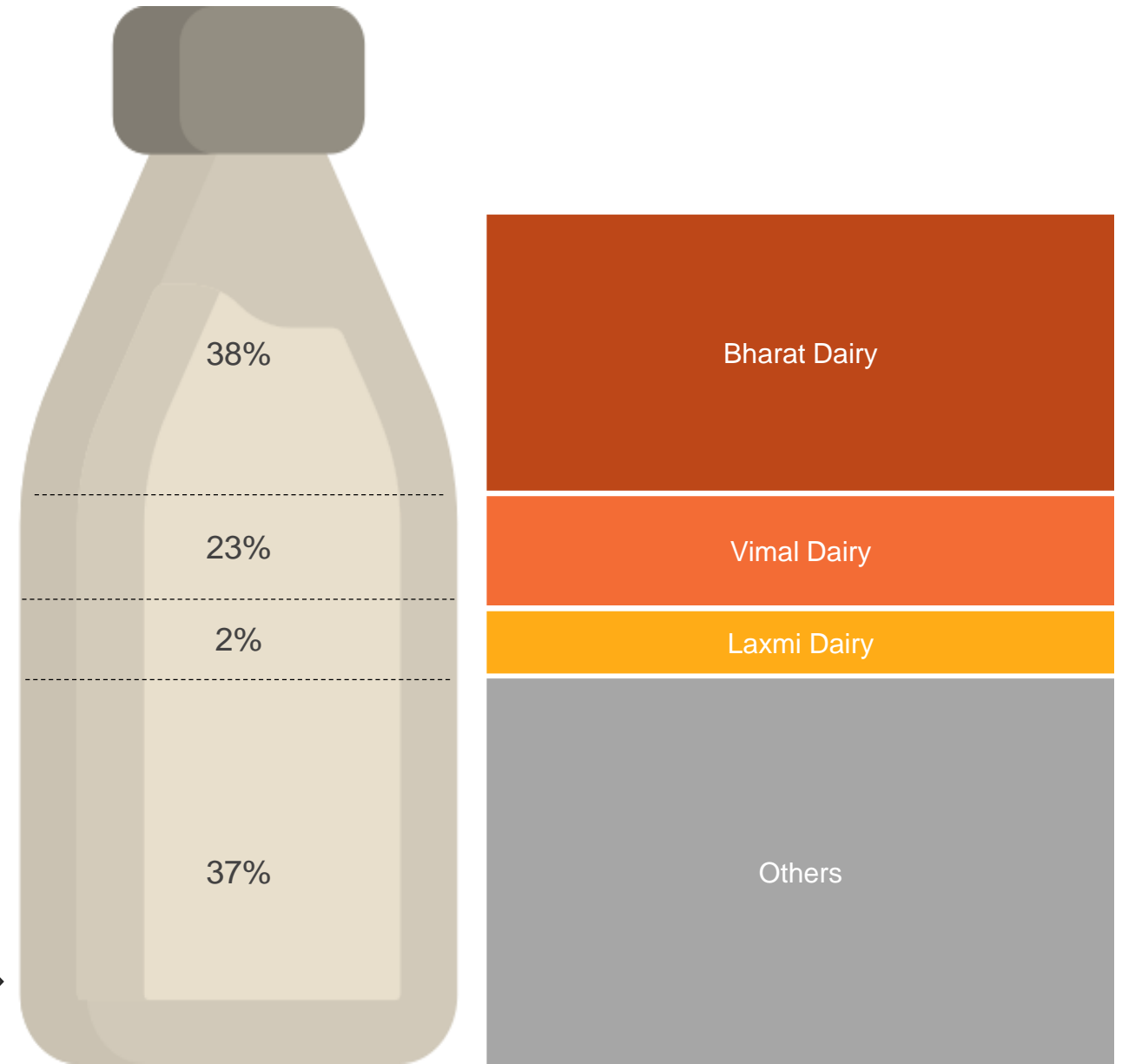
## Milk procurement scenario (fiscal 2020-21)



LKPD - lakh kg per day

Source: Primary interactions with industry stakeholders, NDDDB

Break-up of private procurement

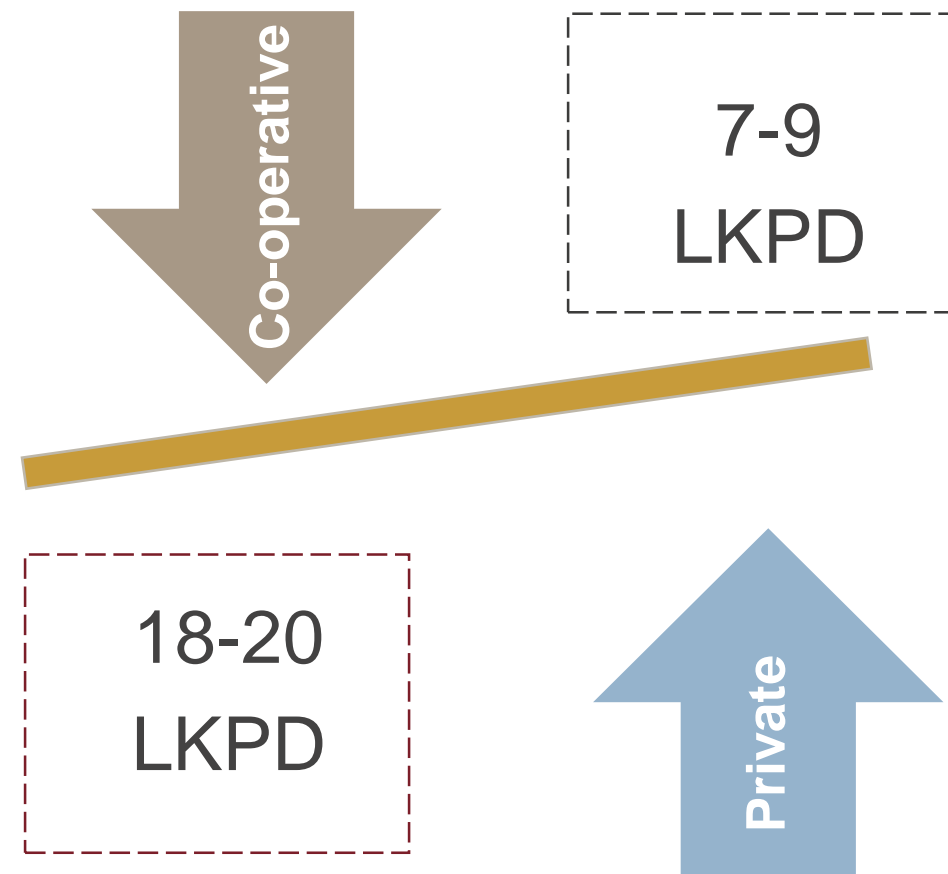


Note: Procurement units for 'others' is obtained on an aggregate basis



# Bihar

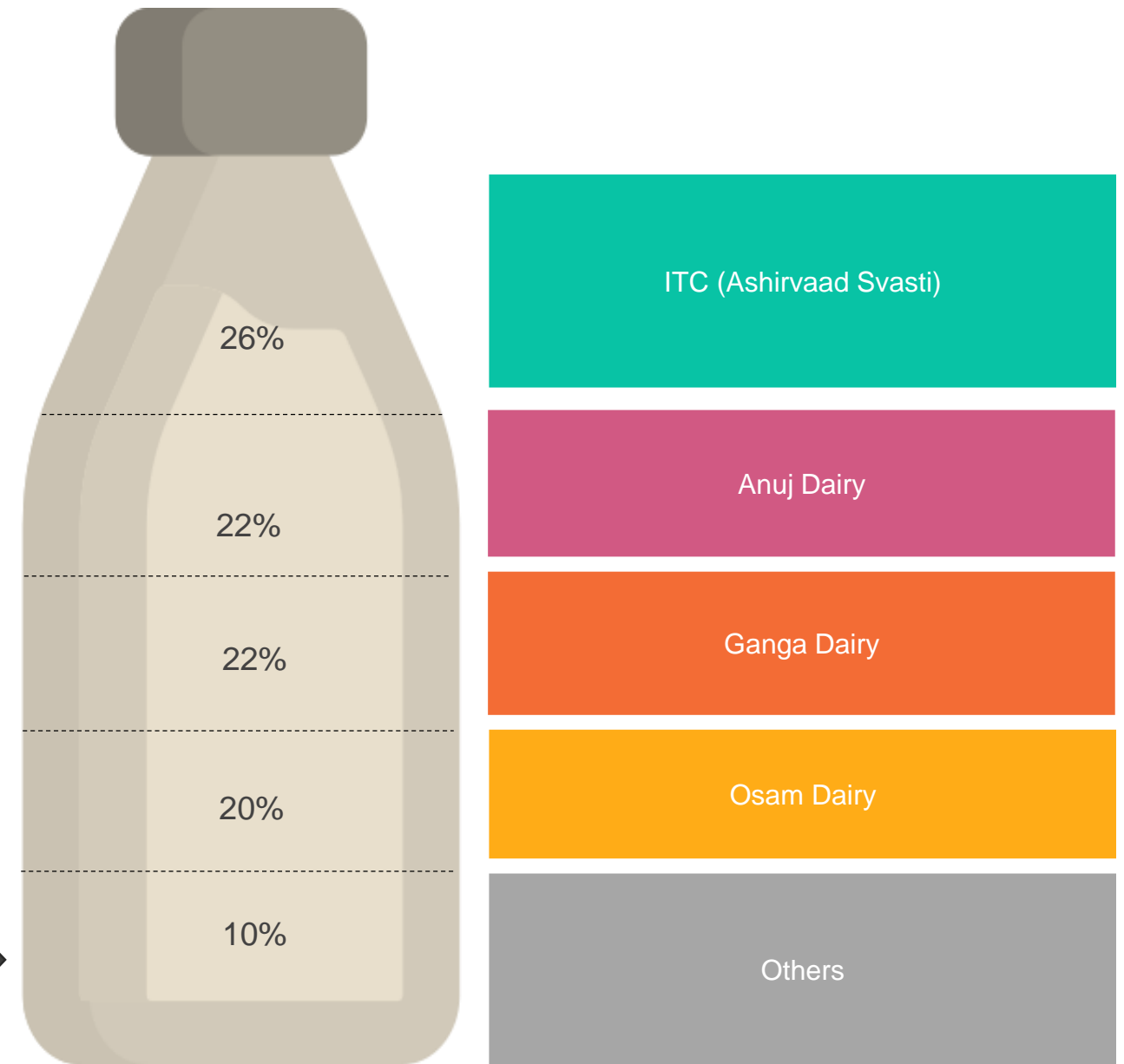
## Milk procurement scenario (fiscal 2020-21)



LKPD - lakh kg per day

Source: Primary interactions with industry stakeholders, NDDDB

Break-up of private procurement



Note: Procurement units for 'others' is obtained on an aggregate basis

# Central level analysis

# Subsidies provided to co-operative dairies provide them a competitive advantage over private players

## Milk procurement subsidy

- In Karnataka, Rajasthan, Haryana and Telangana, a subsidy of Rs 2-6 per litre is being provided to co-operative dairies for procuring milk
- This increases the milk procurement price offered by co-operatives, encouraging farmers to divert more milk towards co-operatives (for details, refer to the next slide)
- Private dairies need to match the procurement price of the co-operatives for regular supply of milk, leading to an increase in raw material cost for private dairies

## National programme for dairy development

- This scheme offers financial assistance for creating and strengthening infrastructure for milk processing and cold chain storages
- Co-operatives and farmer producer organisations are offered a 50% grant in aid to build processing and chilling infrastructure
- Private players are not eligible for this scheme, and hence need to borrow capital at market rates

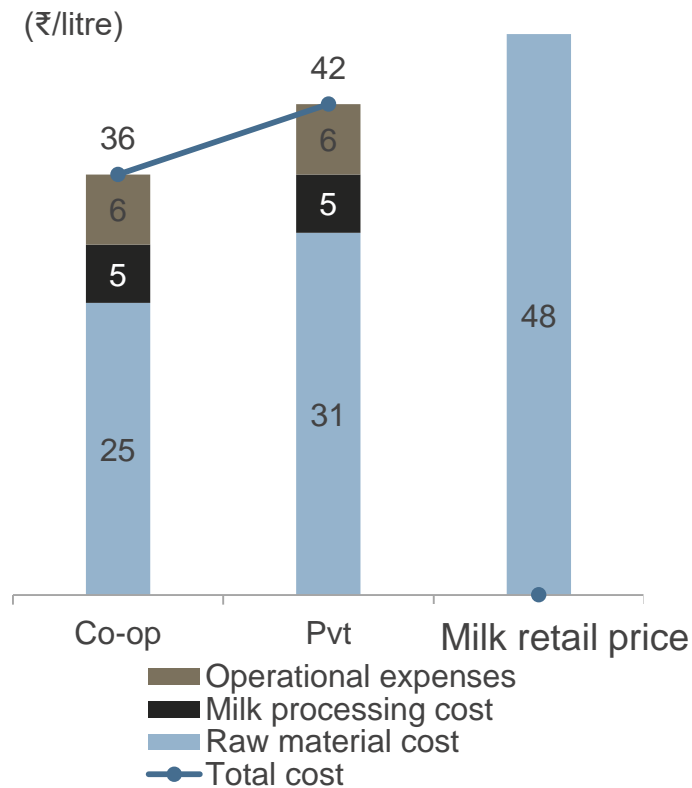
## Export subsidy

- Gujarat's government offered a subsidy of Rs 50 per kg of skimmed milk powder exported in 2020 to co-operative dairies in Gujarat (GCMMF), while private dairies remained saddled with inventories affecting their cash flow

# Private players incur higher raw material costs due to subsidies provided to co-operative dairies

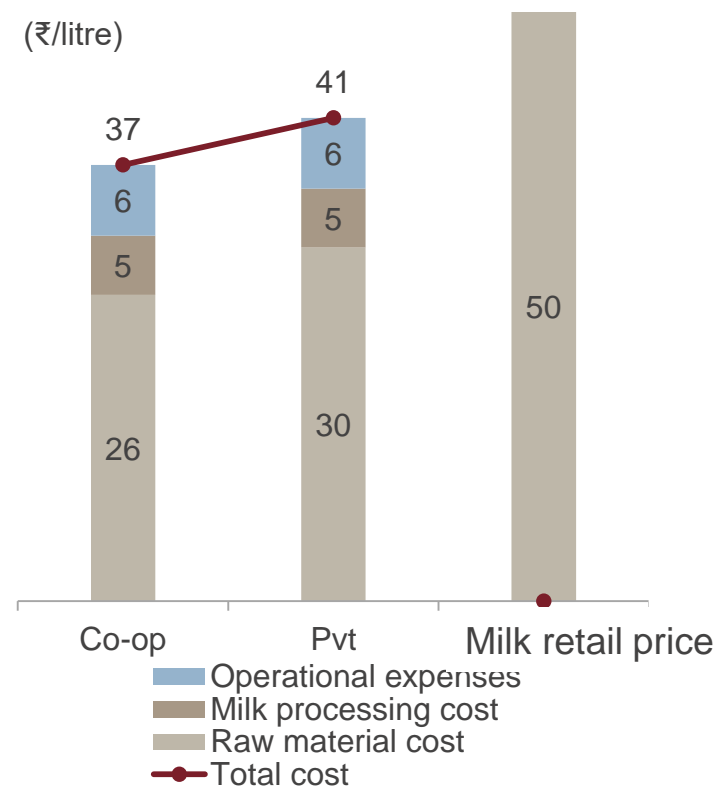
## Karnataka

Subsidy of Rs 6 per litre towards co-operatives increases the raw material cost for private players by 24% versus a co-operative



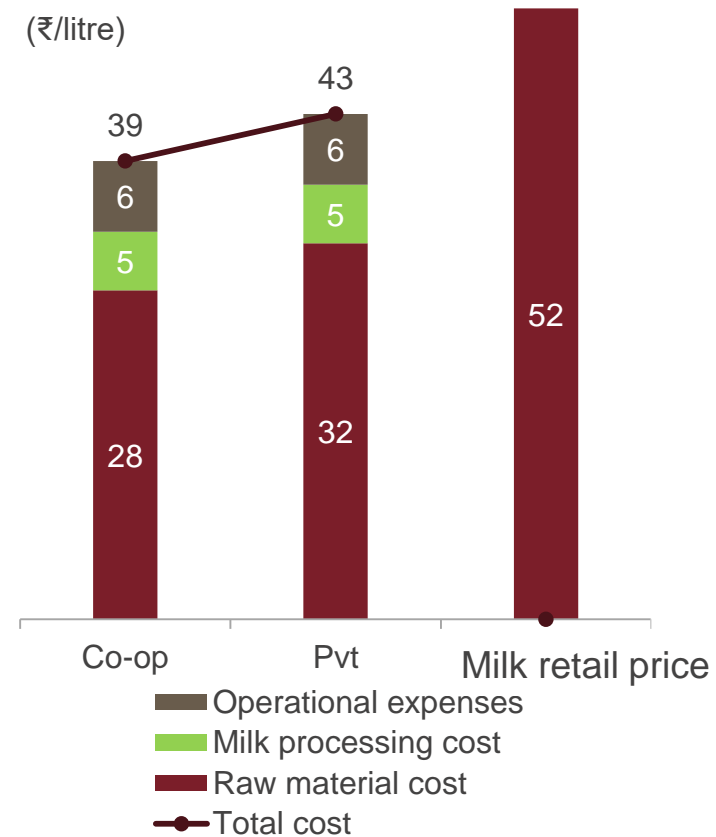
## Telangana

Subsidy of Rs 4 per litre towards co-operatives increases the raw material cost for private players by 15%



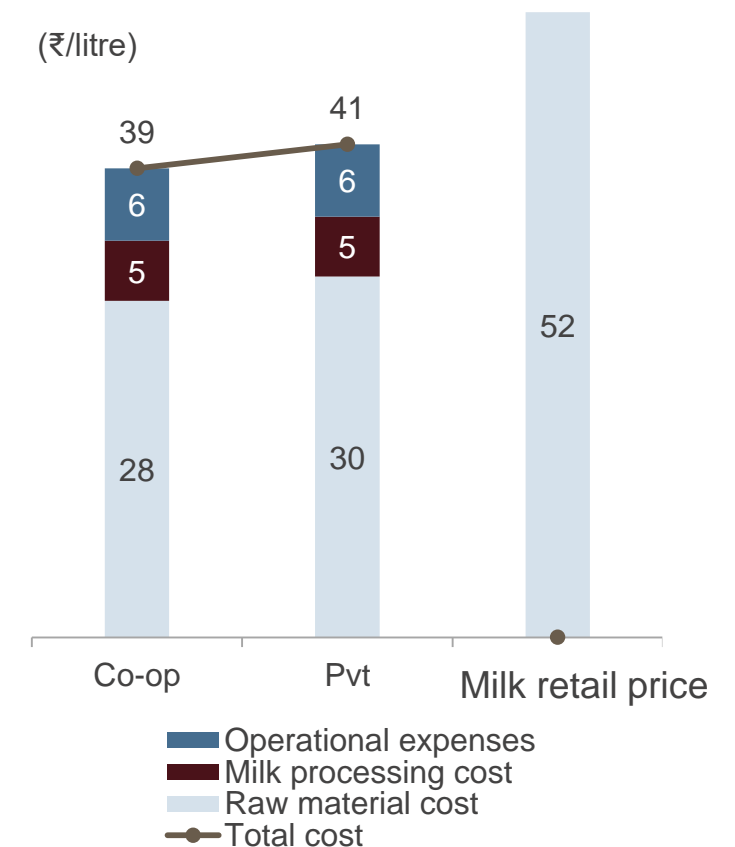
## Haryana

Subsidy of Rs 4 per litre towards co-operatives increases the raw material cost for private players by 14%



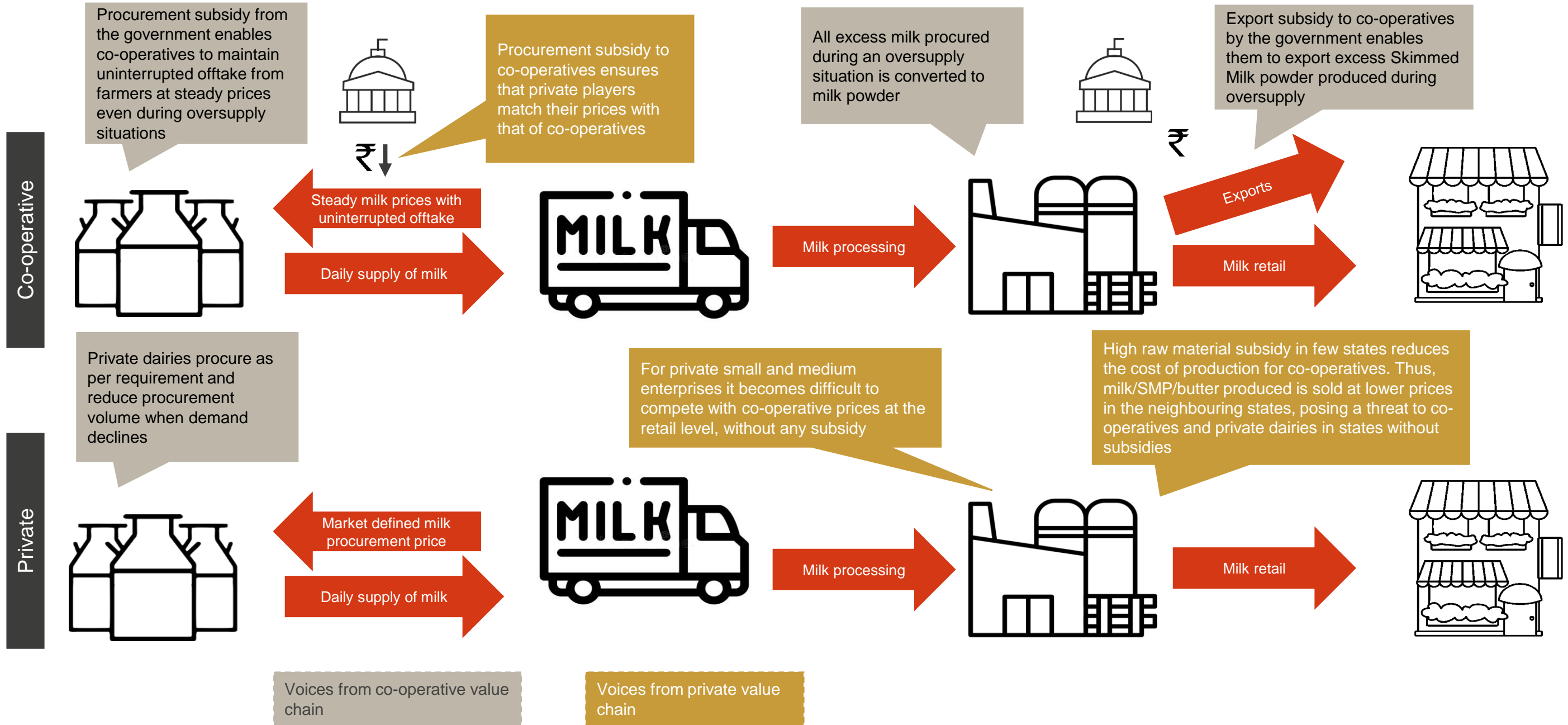
## Rajasthan

Subsidy of Rs 2 per litre towards co-operatives, increases the raw material cost of private players by 7%



Source: Industry, CRISIL Research

# Voices from the industry



**Thank You**

## **About CRISIL Limited**

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

## **About CRISIL Research**

CRISIL Research is India's largest independent integrated research house. We provide insights, opinion and analysis on the Indian economy, industry, capital markets and companies. We also conduct training programs to financial sector professionals on a wide array of technical issues. We are India's most credible provider of economy and industry research. Our industry research covers 86 sectors and is known for its rich insights and perspectives. Our analysis is supported by inputs from our large network sources, including industry experts, industry associations and trade channels. We play a key role in India's fixed income markets. We are the largest provider of valuation of fixed income securities to the mutual fund, insurance and banking industries in the country. We are also the sole provider of debt and hybrid indices to India's mutual fund and life insurance industries. We pioneered independent equity research in India, and are today the country's largest independent equity research house. Our defining trait is the ability to convert information and data into expert judgments and forecasts with complete objectivity. We leverage our deep understanding of the macro-economy and our extensive sector coverage to provide unique insights on micro-macro and cross-sectoral linkages. Our talent pool comprises economists, sector experts, company analysts and information management specialists.

## **CRISIL Privacy Notice**

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit [www.crisil.com/privacy](http://www.crisil.com/privacy).