Austrade-YES Bank Australian Dairy Mission to India May 2016

Indian dairy industry – Profile & Opportunities for Australian companies

WEBINAR

19th April, 2016
Introduction

Dr Grayson Perry, Trade Commissioner & Agribusiness Team Leader South Asia
### AGENDA

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<td>Mr Gopinath Koneti, Executive Vice President, Food &amp; Agribusiness Strategic Advisory &amp; Service, YES Bank</td>
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<td>Experiences in India</td>
<td>Dr Philip Chamberlain, Dairy Veterinary &amp; Training Consultant, Queensland</td>
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<td>Import into India of Australian bovine genetics</td>
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Introduction

• Austrade’s dairy initiative in South Asia – Bangladesh, India, Pakistan, Sri Lanka

• Why India?
Indian dairy industry – Perspectives & Opportunities

Gopinath Koneti
Executive Vice President
Food & Agribusiness Strategic Advisory and Research (FASAR)
YES Bank Limited
About FASAR

• A 17 member strong team comprising of sector experts with relevant academic credentials and professional industry expertise.

• Provides advisory for new business development, diversification in the Food and Agri space.

• Covers the entire gamut of the Food and Agribusiness ecosystem, with sectoral width and depth. Provides sectoral knowledge and industry trends through weekly e-newsletters, Research Reports.

• In a short span, has emerged as India’s premier Specialized Advisory, Consultancy and Research Group in Food and Agribusiness.

Select Case Studies

• Advised NZ based Fonterra for country profiling for business entry strategy

• Advised Middle East based dairy company for Indian entry strategy and acquisition of suitable company

• Advised Japan based global MNC company in short listing of dairy processors in India.

• Advised on JV partnership between an Indian and Italian Dairy company

• Advised BRC Retail, UK on current situation of Indian food manufacturing
Perspectives

- Contributes to 4% of National GDP
- World’s largest milk producer with over 147 mi tonnes of production.
- Milk production has increased 50% in the last 10 years
- 80% of Indian dairymen have a herd size of 2-3 animals and produce 4-6 kg of milk everyday.
- Productivity ranges from 10 kg for exotic cows, 5.5 kg for buffalo and 3.5 kg for non-descript cows.
- Approximately 55% of milk is contributed by buffaloes.
- Interdependency of Agriculture and Dairy production system is unique to Indian system combining human and animal nutrition.
- Cooperative dairy model is the prevalent system of milk production
- Modern dairy farming, started decade back; is still not proven profitable for India.
Milk Production

Source: NDDB, Press Information Bureau of India

Australia Unlimited
Quantum Jump in Milk Production

Production (mi ton)

<table>
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<tr>
<th>Year</th>
<th>Production</th>
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<tbody>
<tr>
<td>1991-92</td>
<td>56</td>
</tr>
<tr>
<td>2001-02</td>
<td>84</td>
</tr>
<tr>
<td>2011-12</td>
<td>128</td>
</tr>
<tr>
<td>2014-15</td>
<td>147</td>
</tr>
</tbody>
</table>
Milk Production Trends – Indian States

Source: Department of Animal Husbandry, Dairying and Fisheries (DAHD), Government of India
Issues in Dairy Production

- Milk productivity
- Cost of Milk production
  - Cost per 100Kg production is less than USD 30
  - Most efficient supply chain- ensuring 80% of consumer price going to Farmer producers
- Farm sizes
- Food safety
- Technology transfer and extension services
- Institutional credit for production
- Fodder shortages and degradation of grazing lands
- Disease and health management of herd
- Poor quality AI services and absence of latest breeding techniques
- Migration of dairy farmers to non-farming activities
Comparison with Global Peers

Source: USDA, DairyCo, Dairy Australia, New Zealand Dairy Statistics, DAHD, Israeli Dairy Board
* For India, data for only cross bred cows in milk is given as per DAHD 2012-13 estimates
Challenges - Opportunities

- Fodder prices have risen 20% between 2008-13
- Corn silage is slowly being adopted by the farmers
- Vet care is a huge unorganized and broken system
- Climate change and green/sustainable technologies
- Dairy extension services and skill development is a multi billion dollar opportunity yet to be tapped
- Access to Finance- YES Bank’s Kisan Dairy Plus project
- IT tools for smart farming
- Technologies for milk procurement infrastructure
- IVF is completely unexplored business territory
Perspective on Processing

- Per capita availability of milk is at 310 ml per day
- Share of milk to the total milk production is
  - Indigenous cows – 21%
  - Cross bred cows - 24 %
  - Buffaloes - 55%

Milk consumption by sector
Dairy Segments

• Milk products
  – Fresh milk
  – Flavoured milk
  – Milk & malt based beverages
  – Long shelf life / UHT milk
  – Goat and other milk

• Yoghurts and other sour drinks

• Misc Dairy
  – Dairy Desserts
  – Whiteners, SMP
  – Condensed milk & Cream

• Butter, Ghee

• Cheese
  – Cheese
  – Paneer
  – Khoa

• Ice creams
  – Dairy (milk) ice creams
  – Non Dairy/ Frozen desserts

• Baby foods

• Dairy ingredients
  – Proteins
  – Lactose

• Pharma ingredients
  – Lactose

• Confectionery
Dairy Market in India

<table>
<thead>
<tr>
<th>Branded Dairy Market sales</th>
<th>INR Cr</th>
<th>AUD</th>
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</thead>
<tbody>
<tr>
<td>Milk</td>
<td>60300</td>
<td>12 Bn</td>
</tr>
<tr>
<td>Yoghurt</td>
<td>6000</td>
<td>1.2 Bn</td>
</tr>
<tr>
<td>Ghee/ Cooking fat*</td>
<td>8000</td>
<td>1.6 Bn</td>
</tr>
<tr>
<td>Ice cream/ Frozen Desserts*</td>
<td>4200</td>
<td>840 Mn</td>
</tr>
<tr>
<td>Butter</td>
<td>2250</td>
<td>450 Mn</td>
</tr>
<tr>
<td>Cheese</td>
<td>1500</td>
<td>300 Mn</td>
</tr>
<tr>
<td>Other Dairy</td>
<td>1300</td>
<td>260 Mn</td>
</tr>
</tbody>
</table>

@ 1 AUD = INR 50

*Ghee market size includes Vanaspathi (PHOs) as well. Individually, Ghee is around 4500 Cr (AUD 900 Mn).

*Frozen desserts are Non dairy “ice cream” like products and contain very little or no milk fat.
Trends in Milk Products

- Flavoured milk is the fastest growing segment with 26% value growth in 2014
  – GCMMF is the largest company with more than 13% market share
- Urban consumer: flavoured milks and UHT milk
- Rural consumer: switching from loose to packaged milk
- Lactalis and Danone have entered the market by partnering or acquiring companies. Lactalis - Tirumala milk
- Small and niche segments like premium pasteurized milk, organic milk, A2 milk are growing in small volume.
- Top 5 brands in the segment are Amul, Mother Dairy, Nandini, Aavin and Horlicks
Trends in Yoghurt / Cheese

• Transition from homemade curd/dahi to packaged Yoghurt in urban areas.
  – Yoghurt will continue in many forms and as an alternative and healthy snack and dessert
  – Healthy indulgent products like fruit flavoured yoghurts will grow and help in better margins but limited by distribution, availability & cold chain
  – Top 5 brands: Amul, Nandini, Mother Dairy, Fresh N Natural, Aavin

• Processed cheese spreads are growing fastest at 28%
  – Urban consumers are increasingly experimenting with varieties of cheeses like Cheddar, Gouda, Mozzarella etc
  – Unpackaged paneer still dominates the tier 2 & 3 towns
  – Top 5 brands: Amul, Britannia, Milky Mist, Heritage
Trends in Ice Cream

• Premiumisation is a big development with new luxury ice cream market brands like Magnum, Haagen-Dazs, London Dairy etc
• Low cost frozen desserts which use vegetable oil rather than milk fat, continue to be used by small and medium dairy companies to trick the consumers.
• FSSAI act made it mandatory to declare them as Frozen Desserts and not as Ice Cream.
• Vanilla is the preferred choice of ice cream flavour followed by Chocolate, Strawberry, Mango and Butter Scotch
• GCMMF, Mother Dairy and Vadilal control more than 60% of ice cream market by value
Doing Business in India

The methodology for this assessment is appended with this report as Appendix I and II. The report assesses implementation status of reform measures across the following eight areas:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Area</th>
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<tbody>
<tr>
<td>1.</td>
<td>Setting up a business</td>
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<tr>
<td>2.</td>
<td>Allotment of land and obtaining construction permit</td>
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<td>3.</td>
<td>Complying with environment procedures</td>
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<tr>
<td>4.</td>
<td>Complying with labour regulations</td>
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<tr>
<td>5.</td>
<td>Obtaining infrastructure related utilities</td>
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<tr>
<td>6.</td>
<td>Registering and complying with tax procedures</td>
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<td>7.</td>
<td>Carrying out inspections</td>
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<td>8.</td>
<td>Enforcing contracts</td>
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<tr>
<td>Rank</td>
<td>State</td>
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<td>------</td>
<td>----------------------</td>
</tr>
<tr>
<td>1</td>
<td>Gujarat</td>
</tr>
<tr>
<td>2</td>
<td>Andhra Pradesh</td>
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<tr>
<td>3</td>
<td>Jharkhand</td>
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<td>4</td>
<td>Chhattisgarh</td>
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<td>5</td>
<td>Madhya Pradesh</td>
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<td>6</td>
<td>Rajasthan</td>
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<td>7</td>
<td>Odisha</td>
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<td>8</td>
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<td>9</td>
<td>Karnataka</td>
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<td>10</td>
<td>Uttar Pradesh</td>
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<tr>
<td>11</td>
<td>West Bengal</td>
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<tr>
<td>12</td>
<td>Tamil Nadu</td>
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<tr>
<td>13</td>
<td>Telangana</td>
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<td>14</td>
<td>Haryana</td>
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<tr>
<td>15</td>
<td>Delhi</td>
</tr>
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<td>16</td>
<td>Punjab</td>
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</tbody>
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Grouping of States

Jump Start Needed
- Andaman and Nicobar
- Arunachal Pradesh
- Assam
- Bihar
- Chandigarh
- Goa
- Himachal Pradesh
- Jammu and Kashmir
- Kerala
- Meghalaya
- Mizoram
- Nagaland
- Puducherry
- Sikkim
- Tripura
- Uttarakhand

Acceleration Required
- Delhi
- Haryana
- Karnataka
- Maharashtra
- Punjab
- Tamil Nadu
- Telangana
- Uttar Pradesh
- West Bengal

Aspiring Leaders
- Andhra Pradesh
- Chhattisgarh
- Gujarat
- Jharkhand
- Madhya Pradesh
- Odisha
- Rajasthan

Leaders
Make in India

- A flagship initiative by Govt of India

- Aimed to push investments in India and help make India a global manufacturing hub

- Food sector is prominent for investment because of…
  - Diverse agro-climatic base for crops, animal production. (127 regions)
  - FDI policy allows 100% investment through automatic route
  - Several states have attractive capital grants and subsidies to encourage investment
  - Tax incentives, duty benefits exist across food processing spectrum
  - Rich base of skilled manpower available
Experiences in the Indian dairy sector

Philip Chamberlain
Dairy Veterinary & Training Consultant
Australia, Malaysia, China, Vietnam, Cambodia and India
Time spent in India

- Large dairy farm feasibility study 2014
- Austrade Mission 2015
- Presented at Investors Conference in 2015
- Visited dairy farms in Northern and Southern India
The Indian dairy Industry – my observations

- People have a very close affinity and understanding of cattle
- Farm gate price - doubled in last 4 years (Now >AU$0.70/litre)
- Growing upper-middle class demanding quality and novel product
- New farms using Holstein Friesian - not suited to hot weather
- Three sectors
  1. Small holder <10 cows (local breed)
  2. New medium (20-200 cows) supplying high priced milk direct to public (Often unpasteurized)
  3. Large holder (200-2,000 cows) OK in higher elevation with HF. Many struggling
Opportunities for Australia

1. Genetics – esp heat tolerant
2. Reproductive technology and capacity: AI, ET, IVF
3. Bull selection and herd improvement program (genomics)
4. Simple dairy data management systems
5. Cattle identification systems
6. Management & operational training at all 3 farm sizes and extension officers
7. Health management capacity, planning and systems (esp mastitis and calf rearing)
8. State & National Government Investment Grants
Opportunities for Australia

9. Nutrition and feeding capacity building

10. Forage growing and silage making capacity & technology (small fields) & additives

11. Processing and product development for upper middle class

12. Research collaboration, Australia has the expertise, India has the animals, land and will to do it.

13. High value, low volume product??

14. Understanding of water use efficiency
Constraints

• Market access requires negotiation
• Willingness of officials and managers to learn?
• Everything takes a long time
• People often wont say *no*. *Yes* will often mean; *maybe/maybe not*.
• Must build relationships well - **Use Austrade**
Import into India of Australian bovine genetics

Dr Slava Zeman
Agriculture Counsellor
Department of Agriculture & Water Resources
Government of Australia
Australian High Commission, New Delhi
Indian import regulations

India published import conditions in late 2015

These apply to:

- live bovine animals
- frozen semen and
- in-vivo bovine embryos
How to start exporting bovine genetics from Australia

• India’s import conditions for bovine genetics (semen & embryos) largely reflect draft certificates submitted by Australia to Indian authorities for approval

• Australia can certify India’s import conditions, including animal disease requirements for bovine genetics imports

• Export certificates will be issued by the (Australian) Department of Agriculture & Water Resources for exports that meet relevant requirements

• For more information or to commence the export process, please contact:

  Dr Sue Leelawardana  
  Senior Veterinary Officer  
  Animal Biosecurity| Animal Division  
  Department of Agriculture & Water Resources  
  GPO Box 858, Canberra ACT 2601  
  AUSTRALIA  
  Ph: +61 2 6272 3162 | Fax: +61 2 6272 3399  
  Email: Sue.Leelawardana@agriculture.gov.au
Australian dairy mission to India – a brief

Anirban Deb
Business Development Manager
India Dairy Initiative Project Leader
Austrade, New Delhi
# Australian dairy mission to India - Itinerary

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<tr>
<th>Date</th>
<th>Details</th>
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<tbody>
<tr>
<td>Sunday 22 May</td>
<td>• Arrive in Pune, State of Maharashtra</td>
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<tr>
<td>Monday 23 May</td>
<td>• Dairy farm visits in the State of Maharashtra</td>
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</table>
| Tuesday 24 May  | • Australia-India bespoke seminar on “Australian dairy production and processing expertise for the India market”  
                 | • Networking with industry stakeholders from Western India               |
| Wednesday 25 May| • Travel to Vizag, State of Andhra Pradesh                              |
| Thursday 26 May | • Dairy farm visits in the State of Andhra Pradesh                      |
| Friday 27 May   | • Australia-India bespoke seminar on “Australian dairy production and processing expertise for the India market”  
                 | • Networking with industry stakeholders from South Eastern India         |
| Saturday 28 May | • Flight back to Australia                                             |
Benefits of participation

• Discover Indian dairy market, on your way to China

• Field visits, Bespoke Seminar, Networking

• Market your expertise through trade media

• Possibility of meeting with customers from Bangladesh market
Mission locations

[Map showing mission locations in India with markers indicating key points such as entry and exit points, and important cities.]
Question & Answer

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