

## Milk is India's largest crop worth around Rs 6.5 lakh crore, says RS Sodhi of Amul

BY ET NOW | UPDATED: MAR 05, 2018, 04:38 PM IST

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Talking to ET Now, **RS Sodhi**, MD, Amul, says in another 50 years, our per capita consumption will be equal to that of the US or Europe for about 800 grams per person per day.

Edited excerpts:

**There is greater competition as opposed to what was the case perhaps seven years back. India's dairy per capita consumption has been growing very healthily. It has been outpacing growth in some of the developed markets like the European Union. But now with so much competition coming in the segment, is there still scope for penetration and higher consumption in India than the numbers that you are already clocking?**

India is contributing about 20% of world milk production at around 167 million metric tonne and we are growing at the rate of 4.5%. World is growing at the rate of around 1.8%. Out of 1.8% growth, 1% is coming from India. Milk is India's largest crop worth around Rs 6.5 lakh crore it is much more than paddy and wheat put together. Till the '70s, per capita consumption was only 110 gram per person per day. Today, it is 360 gram per person per day and that is really growing.

In another 50 years, our per capita consumption will be equal to that of the US or Europe for about 800 grams per person per day, which is already there in some parts. You go to north of Punjab, there might be consumption of around 800 grams per person per day. Now, as far as the growth is concerned, 40% is retained at the producer level in the villages, 60% is surplus. Of that surplus, about one-third is coming to the organised sector -- cooperatives and private companies put together and two-third is going to be the unorganised sector.

Growth in an organised sector is coming from two places -- one is increase in consumption and people shifting from unorganised or move to the organised sector. Volume wise, the organised sector is growing at a double digit. More or less, in all categories, on an average 10% to 12%, 15% growth is coming. Some new categories like cheese, cream may be growing at 20%, 30% but old categories like butter, ghee etc. may be growing at around 8% to 10%.

Coming to European Union, today India's production of 160 million metric tonne equals to 28 European countries. European milk production could be stagnant and we are growing 20% higher in six to seven years. This is the overall picture of the dairy industry in India.

**I am trying to understand the point that you have raised about the shift from unorganised to organised plays. Amul has been the oldest organised player in the industry. How do you think there will be that reduction in organised players going forward and how will Amul strive to gain a higher market share at a time when competition from some of the other new players is only intensifying?**

In the dairy industry, business depends on how much milk you collect from the farmers. Amul is collecting on average more than 20 million litres of milk per day. Next to Amul, there is another cooperative called Nandini which is collecting around 7 million litres. There is no private sector company which is collecting more than 1.5 million litres or 2 million litres. In the private sector, the nearest competitor is in the south. East on an average, produces one-tenth of us so.

In the cooperative sector, in each state the local cooperative is the market leader. In Karnataka, Nandini is number one, in Rajasthan, Saras is number one, in Punjab, Verka is number one. Amul may be number one pan India. As such, in India, the organised market is the hands of cooperatives only and their market share is growing.

**Which are the non-liquid milk categories where you think that the projected growth could be 20% plus for next two to three years. Will it be cheese? Will it be butter or will it be something else?**

Because of the lower base of the small categories like beverages or ice-creams, their natural growth rate will be much higher than the liquid milk because the base is much higher. In India, milk is the dairy product that is consumed most. Then comes dahi, ghee, and then the other categories.

If you have to be market leader in India like Amul or any other cooperative, until and unless you are market leader in that particular category, you would not get major market share in other products. It will not be commercially viable to get into cheese or ice-cream or other things without getting into milk or other fresh products. There is a myth that people think only value added products give more margin and value addition means only cheese and ice-cream. That is the biggest myth.

In the dairy sector, biggest value added product is the fresh pasteurised milk which is sold to the consumer directly. So, you buy milk, you process it, you pack it and sell it. Milk is the biggest value-added product and like that, another value-added product is curd or buttermilk, milk powders and dairy whiteners and baby food. They are much, much bigger categories than the so called cheese or ice-cream categories.

**Where exactly are milk prices headed in 2018 because milk prices in 2017 were quite firm and if milk prices are headed higher, are you in a position to increase your product prices?**

The milk prices world over peaked in 2014 May, after that prices started falling especially of commodity world over and the impact was also felt in India where cooperatives were not strong and in 2017 also prices were much lower than the prices in 2014 or 2015.

No doubt, it was slightly higher than in 2016 and whatever was the price today in areas where cooperatives are not stronger, there farmers are under distress. They are not even getting the cost of production. Take the case of Maharashtra. For cow milk, Maharashtra farmers were getting Rs 17-18 in 2016. Then in 2017, it increased to Rs 22-23 and today also farmers in Maharashtra are getting only Rs 21 to 22 per litre of cow milk vis-à-vis the Gujarat where every year there is increase in price. Today farmers in Gujarat are getting around Rs 30 to 32 for cow milk because we have not reduced the price of any finished product, whether it is butter, cheese or ghee. We have rather increased it. So, naturally farmers are getting better price.



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