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A Feasibility Analysis of Dairy Ventures

in India

A thesis presented in partial fulfilment of the requirements

For the degree of

Master of AgriCommerce

At Massey University, Palmerston North,

New Zealand

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2012
This thesis is dedicated to the memory of my
grandfather (late) M.M.G Apparao,
the Zamindar of Telaprolu
ABSTRACT

India is the largest producer and consumer of milk and milk products in the world. With rapid economic growth, the demand for milk is expected to increase at a faster pace than supply and the resulting supply-demand gap could reach 40 million tonnes by 2022. This presents a good opportunity for multinational dairy companies to venture into the Indian dairy market. As imports of dairy products into India are strictly regulated by means of tariffs and non-tariff barriers multinational dairy companies would have to meet their milk supply from domestic sources, possibly through alternate milk supply models. But starting and operating a successful dairy business in India is not an easy task. It is challenging because the complicated business environment, subsistence type of farming system, lack of quality feeds, large un-organised sector, fragmented structure of the industry, poor rural infrastructure, huge socio-cultural diversity and drastic climatic variations, make the process of milk production and procurement extremely complex. It is therefore vital for a new entrant (multinational dairy company) to perform a thorough analysis, before starting a dairy venture in India. One structured method for performing such an analysis is the feasibility study.

To date there has been limited research in the area of feasibility analysis of dairy ventures in India. In order to address this research gap, this study has been focused on developing a comprehensive framework of feasibility analysis for dairy ventures in India. The framework that was developed was then tested on a case study – a possible large scale dairy farm based milk supply model that Fonterra was considering implementing in the Nellore region of India. Through this process it was demonstrated that by using this framework it is possible to achieve a robust, disciplined and scientific method of evaluating the feasibility of large scale dairy ventures in India.

Key words: Feasibility studies, Dairy, India
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