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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

Meka Dhananjay Apparao

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

ACKNOWLEDGEMENTS

As I reach the final stages of completing this thesis, it's a great joy and refreshment to look back and remember the teachers, colleagues, family and friends who have played a vital part and supported me along this long but fruitful journey. It gives me immense pleasure to thank the many people who made this thesis possible.

It is difficult to overstate my gratitude to my supervisor, Professor Nicola Shadbolt, Chair of Farm and Agribusiness Management - Massey University, and a Board of Director at the Fonterra Co-operative group. Her extensive knowledge and logical way of thinking have been of great value for me. Her patience, understanding, encouragement and personal guidance have been instrumental for the present thesis.

I am also extremely grateful to my co-supervisor (Late) Daniel Conforte, Senior Lecturer in Agribusiness - Massey University, for his detailed and constructive comments, and for his important support throughout this work. His extensive discussions around my work and interesting insights have been very helpful for this study. He was a truly wonderful person and a great mentor – you are and will be dearly missed!

Together, their ideas and concepts have had a significant influence on my study of the agribusiness and dairy sector. Through their enthusiasm, inspiration, and great efforts to drive my passion, they have helped me gain an in-depth understanding of agribusiness in general and the dairy industry in specific. I could not have asked for better mentors.

The research project was funded by Fonterra Co-operative group New Zealand – their financial support without which this study would not have been possible, is gratefully acknowledged. Special thanks are due to Simeon Burnett and Jason Minkhorst at Fonterra for helping to shape and guide the direction of the work with careful and instructive comments.

At Massey University, I have been surrounded by wonderful colleagues, and have been provided a rich and fertile environment to study and explore new ideas. To my dear colleagues in the Agribusiness group, I am grateful we shared a stimulating and fun environment in which to learn and grow. I am especially thankful to Jess, Jomon, Andy, Federico, Aniketh, Chetan, Nicki, Nick, James, Shay, Sarah, and Ci Ci for all the support, camaraderie, and entertainment they provided.

Words are not enough to express my gratitude to my (late) grandfather M.M.G Apparao who has always been (and will be) my source of inspiration and also my guiding star! Thanks also to my parents Anuradha and M.R.G Apparao, for their un-ending encouragement and support. They have instilled in me a love of creative pursuits, science and knowledge, all of which were essential for this thesis. My sister Meghna, has also been extremely supportive along this journey, providing me with critical insights and encouragement. They have all missed-out on my presence while I was working on this thesis in New Zealand, but continued to support me from afar. I thank my entire family for providing a loving environment for me. Not to forget my partner Karlette Anne and our loving dog Ricki. Without their encouragement and understanding it would have been impossible for me to finish this work. Thank you for just being there all the way.

I would also like to thank all my teachers, both at Rajiv Gandhi College of Veterinary and Animal Sciences and University of Wisconsin-Madison, for helping to nurture and grow my passion for research and all things related to dairy. Special thanks are also due to the owners and managers of the dairy farms I worked on in New Zealand - especially Shaun, Darren, Ray, Andrea, Mike, Jaime, Tania, Chris, and Grant. Their kindness and generosity is much appreciated.

Dhananjay (DJ) Apparao
Palmerston North - New Zealand
May, 2012

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