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Marketing Strategies of Dairy and Milk Products in India: From Village Pails to Global Markets

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Abstract

India has held the position of the world's largest milk producer since 1998, supported by the world's biggest bovine population. Over the decades, milk production in the country has grown from just 17 million tonnes in 1950–51 to more than 176 million tonnes by 2017–18. During the same period, per capita milk availability increased from 130 g/day to 374 g/day, surpassing the global average of 294 g/day. This phenomenal growth has been made possible by robust marketing strategies that connect millions of small farmers to urban consumer

Introduction

A marketing strategy refers to a comprehensive plan that integrates all marketing goals of an organization into a single framework. It determines target markets, product positioning, pricing structure, promotion methods, and distribution systems while considering the competitive environment and future market trends. In the dairy sector, this strategy is not merely about selling milk but about managing the flow of products efficiently from producer to consumer.

Milk Marketing Channels in India

Milk reaches consumers through two major channels:

1. Direct Marketing Channels

In this system, milk and milk products are sold directly by producers to consumers without intermediaries. This is common in villages and peri-urban areas.

2. Indirect Marketing Channels

Here, milk passes through distributors, wholesalers, and retailers before reaching the consumer. This model dominates urban milk markets.

The primary purpose of marketing channels is to bridge the physical and economic distance between farmers and end users

Structure of the Indian Dairy Sector

India's dairy industry is divided into:

Sector	Share
Organized sector (cooperatives, private dairies, government dairies)	20%
Unorganized sector (vendors, small dairies, halwais)	80%

The unorganized sector still dominates milk handling, especially in rural areas, but the organized sector is rapidly expanding

Marketing Agencies in Dairy Sector

Private Dairies

They often offer competitive prices and prompt payments but lack consistency and do not provide farmer support services.

Organized Agencies

- Large scale units use advanced technology, refrigerated tankers, and produce standardized products.
- Medium scale units collect village milk and produce products like curd, ghee, cream, paneer, and cheese.

Cooperative Agencies

Brands such as Amul, Nandini, Aavin, Saras, Verka and Sudha lead the cooperative movement. They procure milk from village societies, process it, and sell under a common brand name.

Government Agencies

State dairies procure and market milk under official brands, often supported by cooperative societies

Unorganized Sector: The Silent Backbone

Milk vendors and halwais handle a major share of milk distribution. Vendors advance money to farmers, collect milk twice daily, and supply it to towns, while halwais convert raw milk into traditional sweets

Case Study: Marketing Strategy of AMUL

Amul's success is based on:

- Segmentation: Serving all age groups.
- Targeting: Middle-class and mass consumers.
- Positioning: *"Taste of India"*.
- BCG Matrix: Butter and ice-cream as cash cows, chocolates as question marks.
- Competitive Advantage: Strong supply chain and wide product portfolio.
- Brand Equity: Iconic Amul girl and strong point-of-purchase branding.
- Distribution Strategy: Breaking bulk through carrying and forwarding agents

Trends in Milk Production and Cooperative Growth

About 52% of total milk produced becomes marketable surplus, of which 40% is handled by the organized sector. By March 2019, over 1.9 lakh village dairy cooperative societies linked 16.93 million farmers. Milk procurement rose to 507.69 lakh kg/day in 2018-19 with women forming nearly 30% of cooperative membership

Export Potential and Challenges

Despite high production, India's share in global dairy exports remains low. Major exported products include SMP, butter, ghee, cheese, and buttermilk, with SMP alone contributing nearly 30% of exports. Major destinations include UAE, Turkey, Egypt, Bangladesh, Bhutan, Saudi Arabia, Malaysia, and the USA

However, Indian exporters face challenges such as:

- Heavy subsidies to dairy farmers in developed countries.
- Tariff and non-tariff trade barriers.
- Infrastructure and customs clearance issues.

Government Initiatives for Dairy Growth

- Nationwide Artificial Insemination Programme (NAIP): Launched in 2019 to achieve 70% AI coverage.
- Processing Capacity Expansion: Cooperative processing capacity reached 882 lakh litres/day by 2019.
- Promotion of Silage & Forage Management.
- Freight support schemes and e-sealing of containers to boost exports

Ways to Improve Dairy Marketing

- Formation of farmer marketing groups
- Establishing village milk collection points
- Small-scale processing plants

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- Improving feeding, hygiene and animal health
- Rapid delivery systems
- Encouraging women participation
- Innovative thinking beyond traditional models

Conclusion

India's dairy marketing system is a remarkable blend of tradition and technology. From milk vendors cycling through villages to sophisticated cooperatives exporting to global markets, the dairy value chain reflects the resilience and innovation of Indian farmers. Strengthening marketing strategies will be the key to meeting the future demand of over 600 million tonnes of milk annually.

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