

# India - The next big cheese market

**Being the world's largest producer of milk, India has an enormous dairy market in which cheese plays only a minor role. But that is about to change, the *Dairy Times* reports.**

Approximately 35% of India's total milk production is processed. Most milk is sold through unorganised channels and consumed in a farm-fresh, or unpasteurised, state, while the organised dairy segment constitutes only 15 to 20% of the total processing market. The main value-added products include milk powder, whitener, packaged milk, butter, ghee, yoghurt, cheese, and ready-to-drink milk products, which are, thanks to strong consumer demand, growing at rates between 15 and 25%.

The world's primary cheese markets in Europe and North America are saturated, a situation that is forcing suppliers to look elsewhere, such as to Japan and Russia, which are currently major importers, and to developing markets like India. The Indian cheese market is presently worth around US\$237 million, but is expected to grow at roughly 15 to 20% annually in the coming years. The Indian cheese market is expected to grow at a CAGR of nearly 18% between 2015 and 2020. Measured by sales, it is forecast to grow at a CAGR of 31% during the same period.

Product-wise, the global market features almost 3,000 varieties of cheese, whereas only about 40 to 45 variants are marketed in India, presenting much room for the market's expansion. By industry estimates, current household penetration in terms of cheese consumption is less than 7 to 8%. Per capita consumption of cheese in India is a mere 200 grams per year in contrast to the global average of 7 kg per annum. The average for urban India, however, is 700 grams per person and the country's six largest cities consume approximately 60% of all cheese sold in India.

## The cheese arcade

Processed cheese represents 45% of the total dairy market in India and is likely to grow by an above-average CAGR of around 25%. Unspreadable processed cheese accounts for around 60% of the processed cheese segment. The unprocessed cheese market is largely associated with the soft cheese category in India, usually paneer. This traditional soft cheese constitutes over 55% of this market, with only a small fraction thereof being contributed by the organised sector. In light of consumer behaviour, it is expected to hold a large part of the market for years to come.

The market has been dominated by cooperatives and regional players, with only a few international players making any inroads. The Gujarat Cooperative Milk Marketing Federation (GCMMF) with its Amul brand of cheese has been a forerunner and holds a majority share of the market, followed by Britannia. The imported gourmet cheese market currently occupies a mere 5 to 7% of the total cheese market, but this niche segment is growing at over 30% a year. The rest of the market is split between other players such as Parag Milk Foods, Gowardhan Foods, Danone, Milky Mist, Heritage Foods, Mother Dairy, Vijaya Foods, Milkfed and Verka. Some of the global brands that have a long-standing presence in India include Dabon International, Bongrain SA, Kraft's, Fromageries Bel, and Arla Cheese.

GCMMF with the Amul brand continues to be the main operator in the branded cheese market in India. It pioneered the market for processed, branded cheese. Britannia Industries joined the fray in the cheese market in mid-1990s through an arrangement with Dynamix Dairy Industries (DDI). Britannia's cheese is sold in tins in cube form, and in individually wrapped slices. The Britannia network has some 60,000 dairy outlets equipped with cold cabinets, refrigerators and insulated boxes. Amul covers some 500,000 retail outlets. Britannia has launched new variants of flavoured cheese. The cheese cubes are available in three flavours Masala Mania, Mirchi Poppers and Cream 'n Onion. Amul has a cheese spread in garlic and pepper flavours.

Pune-based Parag Milk Foods, with the brand name Go (for Gowardhan), sells cheddar and mozzarella, and reportedly plans to introduce emmental cheese to the market. All Gowardhan cheese products are made in a world-class facility located in Manchar (near Pune) in a state-of-art advanced cheese plant with a staggering production capacity of 40 metric tonnes of cheese per day. Cheese products offered by Gowardhan include processed cheese and cheese spreads, cheese slices, sandwich slices, pizza cheese, mozzarella cheese, pizza topping, cheddar cheese (including orange cheddar), gouda cheese, monterey jack cheese, colby cheese, emmental cheese, parmesan cheese, cheese wedges, and nacho cheese. It produces mozzarella cheese in shredded and diced forms too. French cheese major, Fromageries Bel, has entered the Indian market with La Vache Kirit (popularly known as The Laughing Cow) which is produced at Bel's facility in Poland exclusively for the Indian market. In addition to The Laughing Cow (creamy cheese in cube form) Fromageries Bel has launched Babybel (semi-hard with a wax coating appropriate for sandwiches). Along with Laughing Cow,

Woerle's Happy Cow cheese brand from Australia, Nestlé and Kraft's brands have started marketing their products in the Indian market.

Himalaya International Ltd, Himachal Pradesh, prepares mozzarella cheese, exclusively for export. La Ferme Cheese has begun a line of handmade farm cheeses for Auroville, Pondicherry. The firm uses traditional cheese-making methods. The team includes professional Indian, Dutch and French cheesemakers who use natural whole cow milk, salts, vegetarian enzymes and seasoning cultures. From fresh cheese including mozzarella, feta, ricotta, to seasoned cheeses like lofabu, auroblochon, parmesan, and jeera cheese, La Ferme produces about 100 kg of handmade cheese in over 10 varieties daily.

Foreign cheeses in India include provolone, colby, mozzarella and parmesan from Italy, cheddar from Holland, and gruyere. US-based Philip Morris, which brought in its Kraft cheese brand earlier, has gained a significant presence in the market. The rest of the market is spread among Verka, Nandini and Vijaya. Dabur claims a product range of 20 varieties of cheese under the Le Bon brand. Dabon has a manufacturing facility at Noida with an installed capacity of 12,000 tonnes per annum. Players such as Dabon have realised the importance of "Indianisation" and added paneer to their portfolio, while others are adding tins, cubes, slabs, sticks and similar items to their product offerings. Looking at prices, the average unit price has registered an increase over the past year as a result of consumers upgrading to more premium variants as well as an increase in milk prices and inflation in general. Premium imported cheese has takers too. Western-style processed cheese is sold by large companies under their brands. The processed cheese market including its variants like processed cheese, cheese spreads, mozzarella, flavoured and spiced cheese, is estimated to be 10,000 tonnes per annum (HS & SL estimates).

India's four metro cities alone account for more than 60% of total cheese consumption. Mumbai is the largest market, accounting for 30% of all cheese sold in the country, followed by Delhi (20%), Kolkata (7%) and Chennai (6%).

### **The outlook**

Cheese is one of the fastest-growing markets among dairy products. Traditionally, India has been a paneer-consuming market which is dominated by the unorganised players. The rise in food service outlets (e.g. Pizza Hut and Domino's) across the country and changing food habits have triggered a robust increase in the demand for cheese in India.

The Indian fast-food market is a major driver for India's cheese industry and is currently worth over a billion dollars and growing at 25 to 30% annually. Cheese is quite popularly used with a number of fast foods such as pizzas, burgers, garlic breads, and sandwiches. Cheese is also being added as a taste enhancer in a number of traditional Indian recipes such as dosa, parathas and uttapam. Rising disposable income levels and government initiatives are also major factors contributing to the growth of cheese in the country.