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Why Indian Dairy Companies Are Looking Overseas for Their Next Growth Market

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The export order may appear to be very attractive until freight rates increase, milk procurement turns out to be costly or the goods fail to meet the standards of the buyer. In the dairy industry, such parameters influence the bottom line of the exporter. Hence, when the Indian exporter seeks to explore international markets, they face the following challenge: what products will they be able to offer on a regular basis at mutually beneficial prices?

There is a good foundation of dairy production and processing industries in India. However, mere production potential is not enough to succeed in exports.

The opportunity lies in choosing the right markets

India exported 97,525 tonnes of dairy products worth approximately $407 million in FY2025-26, according to APEDA. The UAE, Saudi Arabia, the United States, Bhutan and Bahrain were among the leading destinations.

There are distinct market requirements for each. There is demand from the Indian diaspora, or the demand from food manufacturers and distributors who require dairy products for manufacturing their own products. Before making a decision to invest, companies need to recognize these distinctions.

The choice of markets should be based on the product. It requires the comparison of the local demand, taxes on imports, freight costs, distributor profit and competitors. Even if there is a big market, but the local producers can supply the same product cheaper than a company, then the gains would be insignificant. If there is a smaller market, but the consumers appreciate the quality of the product and order it repeatedly, then such a market will be more interesting.

Product choice determines export viability

Fresh milk, milk powder, and ghee have their own specific ways of storing, transporting and handling. Such differences have an effect on which markets can be profitable for the goods.

Fresh milk requires a reliable cold chain as well as rapid delivery. Powdered milk is more flexible regarding storage and transportation; hence, it can be interesting for some industrial customers. The possible target market would be the places where consumers use ghee in cooking or where Indian food items have some customers.

However, even being familiar with such products does not ensure their sale. Businesses need to estimate prices, packaging, quality and consumers' behavior. Also, companies need to understand whether demand comes from the Indian community or other communities. The narrow approach is better than developing many goods in many countries. Businesses can start by selling one good to particular consumers and then expand after assessing repeat purchase behavior.

Quality must be built into procurement

Export quality begins before the milk arrives at the processing plant. The milk acquisition, testing, refrigeration and transportation all influence the end result. Poor quality of raw milk may cause production difficulties and higher chances of rejection of the shipment. The foreign markets might have certain standards regarding food safety, product composition, labeling, documentation and traceability. Standards differ between markets. Satisfying the standards in one country does not guarantee eligibility in another.

Dairy manufacturers should be familiar with these standards before fulfilling any orders. Testing, consistent batch records and process control are needed throughout the procurement to dispatch stages. Suitable packaging and storage are also necessary for the product's transportation. This process is costly but guarantees good business relations. One delayed or rejected shipment can be more expensive than the entire order. This could influence further cooperation between the buyer and the manufacturer.

Distribution makes the market sustainable

Locating a foreign buyer is only half the task. Businesses also need reliable suppliers and distributors who know the ins and outs of local laws, logistics, and market demands. They can advise on appropriate packing sizes, pricing, and selling methods. Information gathered through such individuals will also determine whether there is any market for the product beyond its intended target audience.

One needs to take into account the cost of bringing the product to the buyer, which includes delivery charges, insurance, duties, warehousing, and profit margin for the distributor. Otherwise, export sales will seem much higher than they present. Expanding a business abroad should be judged not by a large quantity of products shipped, but rather by the frequency of orders, timely payments, and stable margins.

There is an opportunity for Indian dairy companies to build up their international presence, but the strategy will vary depending on the type of products and markets. What needs to be done first is finding the demand that matches production capacity and satisfying all importing country's conditions and finding the sources of supply.