

Covid 19 corollaries

May 26, 2020

Fat of the matter

Supply chain disruptions in the early weeks of the nationwide lockdown, and bread-and-butter issues for hotels, restaurants and cafes, have materially reduced demand for dairy products.

This is despite supply of most dairy products continuing during the lockdown, since they are categorised as essentials.

The shuttering of hotels and dine-ins has also dried up offtake of skimmed milk powder and khoa.

Products that can't be made at home easily – such as cheese, flavoured milk and also khoa – haven't found their way back to the dining table in the same quantities as before the lockdown.

Demand for ice creams, which usually peaks in summer (accounting for 40% of annual sales) has just melted away.

Rural areas, which are feeling the income pinch more, seem to be staying off butter and ghee.

To be sure, since the third week of April, supply chains have turned smoother, so demand for staples such as milk, curd, paneer and yogurt are expected to see a quick rebound, leading to on-year expansion in sales.

The pandemic, however, may sour the business for unorganised dairies because of pervasive contamination fears. Conversely, as consumers shift, revenues of organised dairies and packaged products should fatten.

Overall, demand for milk and dairy products would be lukewarm in the near term, so prices are unlikely to boil over. Large brands such as Amul and Mother Dairy had already hiked retail milk prices by 4-5% last fiscal. They may not serve an encore.

Lockdown skims dairy industry growth

Products with higher industrial consumption severely affected

