

Sector Overview – Milk and milk based products sector

1. Introduction

Sri Lanka currently produces about 40% of its milk demand domestically and is therefore heavily dependent on imports to meet demand. Dairying is a high potential agro-industry mainly carried out by smallholder farmers in Sri Lanka. Food safety and quality are important factors in the development process of the dairy industry. Clean Milk Production (CMP), which involves producing milk under a series of preventive practices, is the first step in ensuring food safety and quality.

Analysis of cow milk production data for the last five decades showed that milking trends and milk production of cows and buffaloes have increased over the years. There is a great potential to increase milk production from buffaloes in Sri Lanka. Local small-scale dairy processing should be encouraged by promoting the use of products from these local producers when the price of milk products increases in the international market.

Cow's milk production is the main factor controlling the dairy industry in Sri Lanka. According to government statistics, production in 2019 was 354 million litres. In 2018, per capita consumption was recorded at 160 ml per day, which is 54 liters per year.

Although declining trends have been observed several times, overall cow milk production has recorded positive growth. In the last decade, especially after 2008, there has been a remarkable growth in cow milk production. National Livestock Development Board's (NLDB) Ridhiyagama farm has become the largest dairy farm in Sri Lanka with an annual production capacity of 10 million liters of milk since 2016 after importing 2500 cows. Currently, Sri Lanka is self-sufficient in 15-20 percent of its dairy production, but that level is largely obtained from imported milk powder.

1.1 Sector Vision

To strengthen Sri Lanka's dairy sector towards achieving self-sufficiency in fresh milk production.

1.2 Sector Mission

To Increase fresh milk production, to improve productivity and to improve milk quality

1.3 Institutions operating under the subsectors

Large Scale Companies

1. Milco (Pvt) Ltd
2. Cargils Quality Dairies (Pvt) Ltd
3. Nestle Lanka (Pvt) Ltd
4. Kotmale Milk Production (Pvt) Ltd
5. Ambewela Manufacturers (Pvt) Ltd
6. CIC Dairies (Pvt) Ltd
7. Pelwatte Dairies (Pvt) Ltd
8. Polonnaruwa District Milk Cooperative
9. Pattipola Livestock (Pvt) Ltd
10. Lanka Dairies (Pvt) Ltd
11. Chello Dairies (Pvt) Ltd
12. Richlife Dairies (Pvt) Ltd
13. Fonterra Brands Lanka (Pvt) Ltd
14. National Livestock Development Board (NLDB)

Small Scale Companies

1. Milk Production Cooperative of the Coconut Triangle
2. Lanka Value Foods (pvt) Ltd
3. Jaffna District Development Cooperative
4. Rasoda Dairies (pvt) Ltd
5. Udunuwara Milk Production Cooperative
6. Arpico Dairies (pvt) Ltd

1.4. Contribution to GDP by the Sector- 21%

2. Production and Consumption

- Annual milk powder production - 7,387,086 kg (2018 as the base year)
- Imported Milk Powder - 83,024,406 kg (2021 as the base year)

Table 1: Cow milk and buffalo milk production (2015 – 2021)

Year	Average Monthly Milk Production (Litres)		Total Monthly Milk Production (Litres)	Annual Milk Production (Litres)		Total Annual Milk Production (Litres)
	Cow milk	Buffalo Milk		Cow milk	Buffalo Milk	
2017	27,417,600	5,741,964	33,159,627	329,011,951	68,903,569	397,915,520
2018	32,627,550	6,346,722	38,974,272	391,530,600	76,160,664	467,691,264
2019	31,167,995	6,130,530	37,298,525	374,015,943	73,566,360	447,582,303
2020	34,469,627	6,491,925	40,961,552	413,635,518	77,903,100	491,538,618
2021	35,447,469	7,327,988	42,775,457	42,5369,628	87,935,850	513,305,478
2022***	34,933,059	7,271,075	42,204,134	419,196,708	87,252,894	506,449,602

2. Sector Goals identified with KPIs

- 1) Improve availability of quality input and services to dairy farmers
- 2) Introduction of best practices in dairy farm operations and management
- 3) Improve quality standards and hygienic best practices at all levels of dairy farming, collection and transport
- 4) Facilitate meeting of buyers, sellers, and input suppliers, as well as service providers along the dairy value chain through use of ICT and mobile technology
- 5) Increase access to financing and investment in the dairy sector

10. Challenge(s) the sector is facing due to Government rules and regulations.

- 1) Food shortage in milk production due to lack of fodder.
- 2) Introducing new technology to the dairy industry will help in increasing the productivity and profitability of milk production.

11. Global Market Value - USD 893 billion (2022)

12. CAGR - 5.8%

