

## **Indian Dairy Sector Braces for Tight Supply and Cost Pressures Ahead of 2026**

**New Delhi:** The Indian dairy sector is entering a challenging phase marked by tighter supplies and margin recalibration, following a period of volatile cycles involving disruption, surplus, and recovery. According to a recent report by Systematix Institutional Equities, the industry faces rising procurement costs and a significant shift in market dynamics as it heads into 2026.

**Supply Tightens After Short-lived Surplus** While the sector saw a temporary surplus during the flush season between October 2024 and March 2025—where milk production surged by nearly 25%—this abundance was short-lived. Unseasonal early rains in 2025 disrupted summer demand-supply patterns, while geopolitical disturbances in key milk-producing belts like Punjab, Haryana, and Jammu & Kashmir further constrained output.

Consequently, inventories have eroded amidst robust festive demand, leading to firmer milk procurement costs across regions. In response, some areas in Bihar and Andhra Pradesh have already reported price hikes of Rs 1–1.5 per litre. Industry experts predict that procurement costs may only correct around April 2026, coinciding with the Ramzan period.

**Strategic Shifts and Market Response** To restore profitability, dairy majors are evaluating selective price hikes and volume adjustments. A structural transformation is also underway, with companies increasingly pivoting toward value-added products (VAP) such as curd, paneer, ghee, and ice cream. Notably, ice cream demand is expanding beyond the traditional summer window, becoming an impulse purchase year-round.

**Evolving Distribution Channels** The route to market is also evolving rapidly. Quick-commerce and e-commerce platforms are gaining significant traction, steadily eroding the share of general trade. Meanwhile, modern trade formats offer high visibility but continue to pressure margins, forcing dairy players to tread carefully.

Reference - <https://economictimes.indiatimes.com/industry/cons-products/food/indian-dairy-sector-faces-tight-supply-as-demand-strengthens-ahead-of-2026-report/articleshow/126199950.cms>