

An e-newsletter

DAIRY OUTLÓÓK

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Protecting Margins,
Pursuing Growth



Engineering Progress.
Processing Possibilities.
Powering Dairy Growth.

MD Speaks



Welcome to the inaugural edition of The Dairy Outlook.

The dairy industry today stands at a defining intersection of growth, innovation, and transformation. As consumer demands evolve, technology advances, and sustainability becomes central to operations, the dairy processing sector is being challenged to think beyond conventional boundaries. The future belongs to those who adapt faster, innovate better, and build stronger systems for efficiency and quality.

At Schnell Engineering Pvt Ltd, we have always believed that progress in dairy is not merely about expanding capacity-it is about creating smarter processes, improving product quality, maximizing value recovery, and building sustainable business models for the future.

The Dairy Outlook has been envisioned as more than just a company newsletter. It is a knowledge platform designed to bring together industry perspectives, process innovations, market developments, and emerging opportunities shaping the dairy ecosystem. Through this initiative, we aim to share valuable insights on industry trends, technological advancements, project milestones, and the engineering innovations that are redefining dairy processing.

This platform will also reflect our journey-our technical developments, successful project executions, organizational milestones, and the collective efforts of our teams that continue to strengthen our commitment to the dairy and food processing industry.

In an industry driven by precision, quality, and continuous innovation, staying informed is no longer optional-it is essential. Through The Dairy Outlook, we aspire to create meaningful conversations with industry leaders, decision-makers, and professionals who are shaping the future of dairy.

I invite you to be a part of this journey-read, engage, and grow with us as we explore the trends, technologies, and transformations defining tomorrow's dairy industry.

Together, let us build the future of dairy processing.

Warm Regards,

Vimlesh Raulji
Managing Director

NAVIGATING GLOBAL UNCERTAINTY: OPPORTUNITIES & CHALLENGES FOR THE DAIRY PROCESSING INDUSTRY

Suket Gohil, Director

The global dairy and food processing industry is facing uncertainty due to geopolitical instability, rising energy prices, inflation, and volatile raw material costs. These factors are disrupting supply chains and impacting investment confidence across the sector.

Despite these challenges, India continues to emerge as a major growth market. As the world's largest milk producer, only around 18% of milk production is currently industrially processed, creating significant opportunities for dairy infrastructure, value addition, and turnkey processing projects.

To remain competitive, dairy processors must focus on resilience, efficiency, sustainability, and advanced processing technologies. Companies investing in automation, energy-efficient systems, and innovative product development will be better positioned for long-term growth.

Consumer preferences are also reshaping the industry. Demand is increasing for healthy, convenient, and premium dairy products such as yogurts, probiotic drinks, and high-protein offerings. Hybrid dairy products combining dairy and plant-based ingredients are also gaining popularity as consumers seek healthier and more sustainable choices.

At the same time, sustainability and premiumisation are becoming key market drivers, encouraging processors to adopt greener technologies and innovative

manufacturing practices. For India, these evolving trends present strong opportunities for growth in dairy processing and integrated turnkey solutions.

Emerging Market Drivers Reshaping the Future of Dairy & Food Processing

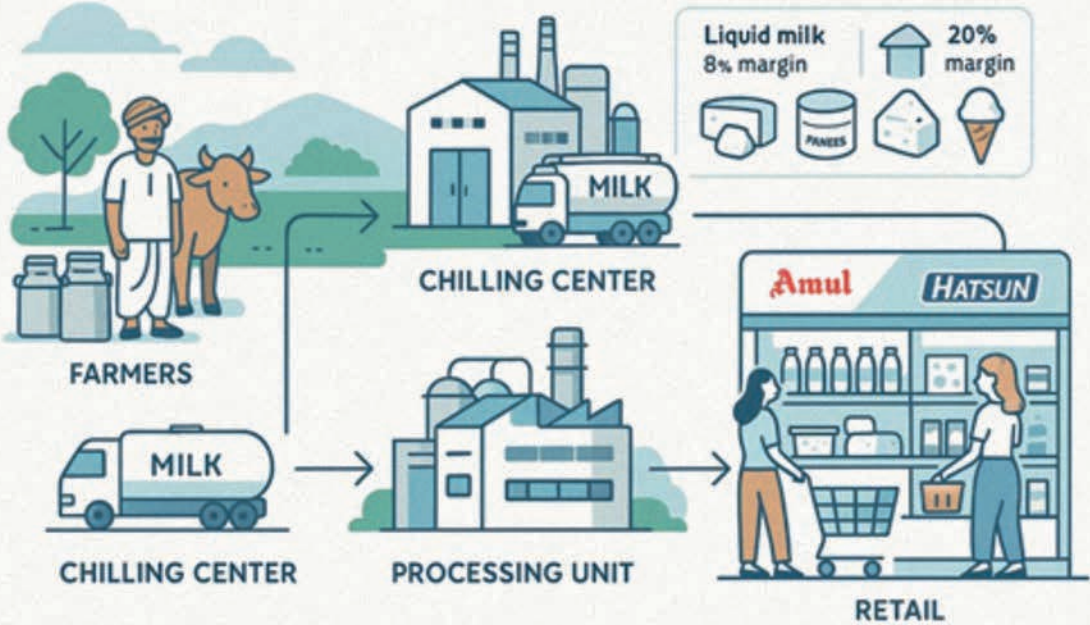
Consumer preferences and sustainability trends are rapidly transforming the dairy and food industry. Demand is growing for nutritious, convenient, high-quality, and wellness-focused products, driving innovation across dairy categories.

Products such as yogurts, probiotic drinks, fermented beverages, and high-protein dairy offerings are witnessing strong growth, while hybrid dairy products combining dairy and plant-based ingredients are gaining popularity.

Premiumisation is also shaping the market, with consumers increasingly preferring natural, minimally processed, and “free-from” products. At the same time, sustainability is pushing the industry towards greener technologies, energy-efficient systems, and sustainable manufacturing practices.

For India, these evolving trends create strong opportunities for growth in dairy processing, automation, and integrated turnkey solutions.

INDIAN DAIRY INDUSTRY



INDIA'S DAIRY INDUSTRY ENTERS A NEW ERA: PROTECTING MARGINS WHILE PURSUING GROWTH

India's dairy industry, long defined by scale and supply expansion, is approaching a strategic turning point. As rising costs, climate volatility and changing consumer demand challenge traditional growth models, a new playbook is emerging—one that prioritizes profitability as much as production.

A recent global report by McKinsey & Company suggests the dairy sector in 2026 will be shaped by two parallel imperatives: protecting margins and pursuing growth. While the findings reflect global trends, they resonate strongly with India, where dairy processors, cooperatives and private players are navigating many of the same pressures, often at even greater intensity.

For Indian dairy businesses, the implications are significant. The conversation is shifting from producing more milk to extracting more value from every litre.





MARGIN PROTECTION MOVES TO THE CENTRE OF STRATEGY

For decades, growth in India's dairy sector was often measured in procurement volumes and processing capacity. Today, the focus is increasingly turning toward efficiency.

Rising cattle feed prices, volatile milk procurement costs, energy inflation and supply chain pressures are compressing margins across the value chain. In this environment, profitability is no longer a back-end concern—it is becoming a strategic priority.

Industry leaders are responding by rethinking operations. From digitized procurement and automated chilling systems to plant efficiency upgrades and tighter product portfolio management, many are looking for ways to improve returns without compromising growth.

This shift is particularly relevant in a market where commoditized products such as liquid milk often operate on thin margins. Increasingly, processors are seeking profitability not simply through scale, but through smarter cost structures and higher-value product mixes.

As one industry executive recently observed, **“Efficiency is becoming the fuel that funds future growth.”**

THE RISE OF PROTEIN COULD RESHAPE DAIRY GROWTH



If there is one trend expected to redefine dairy over the next several years, it is the growing demand for protein. **Globally, McKinsey identifies protein-led innovation as one of dairy's biggest growth opportunities.** In India, that trend may be even more transformative.

Consumer demand is expanding well beyond traditional staples into nutrition-oriented products—from Greek yogurt and protein-enriched beverages to whey supplements, premium paneer and functional dairy snacks.

For Indian dairy players, this represents more than product innovation. It signals a move from commodity-driven growth to value-led growth.

Paneer, for example, is increasingly being positioned not merely as a traditional dairy staple, but as a mainstream protein food. Similarly, yogurt and cultured products are moving into premium nutrition categories, while dairy ingredients offer new export possibilities.

The opportunity is particularly significant as urban consumers show greater willingness to pay for convenience, functionality and health benefits. In this emerging landscape, protein may become to the next decade what liquid milk was to the last.

How Whey Protein is made



TECHNOLOGY'S ROLE IS BECOMING MORE PRACTICAL

Technology, too, is moving from experimentation to execution.

While artificial intelligence and advanced analytics often generate headlines, their application in dairy is becoming notably pragmatic. Rather than focusing on futuristic disruption, many companies are looking at tools that solve immediate business problems.

Whether through predictive maintenance in processing plants, demand forecasting, digital procurement systems or herd health monitoring, technology is increasingly being viewed as a margin lever.

For India's fragmented and farmer-linked dairy ecosystem, this could have far-reaching implications.

Digital tools that improve milk quality tracking, optimize collection routes or support farmers with productivity insights could strengthen both supply resilience and profitability.

The significance lies not in adopting technology for its own sake, but in deploying it where returns are tangible.



SUSTAINABILITY IS BECOMING AN ECONOMIC AGENDA

Another notable shift highlighted in the global outlook is the changing role of sustainability.

Once often framed primarily through environmental commitments, sustainability is increasingly being treated as an economic issue.

That distinction matters in India.

Water efficiency, methane reduction, renewable-powered chilling and improved feed practices are no longer viewed only through ESG lenses, but as pathways to lower costs and more resilient operations.

For cooperatives and private processors alike, the emphasis is moving toward practical sustainability-solutions that improve both environmental outcomes and business performance.

In that sense, sustainability is becoming less about compliance and more about competitiveness.



FROM MILK VOLUMES TO PROTEIN VALUE POOLS



SEGMENT	GROWTH OUTLOOK	MARGIN POTENTIAL
Liquid Milk	Moderate	Low☆☆☆☆
Ghee	Stable	Medium★★☆☆
Paneer	High	High★★★★
Functional Yogurt	High	High★★★★
Protein Nutrition	Very High	Premium★★★★★

A NEW GROWTH MODEL FOR INDIAN DAIRY



Taken together, these shifts point to a broader transformation underway.

India's first dairy revolution was built on increasing production and securing supply.

The next phase may be built on something different: profitability, premiumization, precision and protein.

That evolution could fundamentally alter how growth is defined in the sector.

Rather than asking who can process the most milk, the market may increasingly reward those who create the most value-through differentiated products, stronger margins and smarter operations.

For a sector that contributes significantly to rural incomes while serving one of the world's fastest-growing consumer markets, the stakes are high.

Yet so is the opportunity.

India's dairy industry has often proven capable of reinvention. As global pressures reshape the sector, that ability may once again define its next chapter.

And this time, the white revolution may be less about volume- and more about value.

India Dairy 2026 Growth Drivers

- Protein-led products
- Digital transformation
- Export opportunities
- Sustainable productivity

Margin Protection Toolkit

- Feed efficiency
- Energy optimization
- Cold chain digitization
- Product premiumization

FROM MILK TO VALUE INDUSTRY SHIFT MAP



Commodity Dairy



Value-added Dairy



Functional Nutrition



Ingredients & Exports

Opportunity Beyond Dairy Brands: The Rise of Dairy Infrastructure Players

This transformation is not only reshaping dairy processors and brands, but also expanding opportunities across the broader ecosystem that enables industry modernization.

As Indian dairy companies increasingly focus on margin protection, value-added products, and technology-led efficiency, capital investment is expected to rise in processing capacity, automation, and energy-efficient infrastructure. This shift is creating strong demand for engineering partners and turnkey solution providers who can translate strategic priorities into scalable, efficient operations.

Companies such as Schnel Engineering Pvt Ltd, along with other players in dairy plant engineering and process automation, are well positioned to benefit from this cycle. Opportunities are likely to emerge across high-impact areas such as modern milk processing facilities, whey and **protein ingredient plants, cold chain optimization systems, and digitally integrated dairy operations.**

Importantly, investments linked to margin improvement- such as energy optimization, process automation, and yield enhancement- are increasingly being viewed as strategic rather than purely operational expenditures. At the same time, growth in premium categories like cheese, cultured products, and protein-based ingredients is driving demand for new and more advanced processing capabilities.

In this evolving landscape, engineering and turnkey solution providers are becoming critical enablers of industry competitiveness. As India's dairy sector transitions from volume-led expansion to value-led growth, the ability to design, build, and optimize efficient dairy infrastructure will play a decisive role in shaping the next phase of industry growth.

HOD'S ANNUAL MEET 2026 - ALIGNING IDEAS, SHAPING THE FUTURE



Glimpses from the **HOD's Annual Meet** held on **25th April 2026 at Innovation, Courtyard, Vadodara.** Collaborative discussions on efficiency, innovation, ongoing projects, and future planning reinforced a strong alignment with the organisation's vision and growth objectives.



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