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CHAPTER-I

IMPORTANCE OF CO-OPERATIVE DAIRY INDUSTRY IN INDIA

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1.1 INTRODUCTION:

The Indian economy is essentially a agricultural based economy and the performance of the agricultural sector has a great impact on the economic development of the country. Being the largest sector in the economy, Indian agriculture provides subsistence to nearly 70 % of the India's population. Inspite of the growth of the irrigation facilities, the fact however remains that the Indian agriculture is still a gamble in the mansoons. Inconsistent agricultural production has a great effect on the income earning capacity of the Indian farmer. It is against this background that policy measures were implemented to provide alternate income earning occupations to the farmer and his family members which would provide additional income to the farmers. The encouragement to cottage industries and rural industries, encouragement to piggery, sheep rearing, poultry and dairy farming was undertaken with this objective in view.

The emphasis on dairy and poultry farming as a subsidiary occupation was also undertaken for the upliftment of marginal and small farmers especially in drought-prone areas. Encouragement of this subsidiary occupation was looked upon

as a means for removal of poverty in rural areas. This was so because the size of operational holdings in India reveals that majority of the farmers are small and marginal farmers. In 1970-71, for example, there were 490.63 lakh marginal and small farmers, who owned land less than two hectares and cultivated nearly 20.9 percent of total land cultivated. In the same year there were 100.68 lakh medium farmers who owned land 2 to 4 hectares and cultivated nearly 18.5 percent of total land cultivated. In 1980-81 the number of marginal and small farmers increased to 660.60 lakhs, farming 74.5 percent of total cultivators and they cultivated nearly 26.31 percent of total land cultivated¹. Thus in India we find that majority of the farmers are small and medium and with limited spread of irrigation. The need for subsidiary occupation is important to improve their living conditions and removal of poverty.

1.2 DAIRY INDUSTRY:

Dairying has been a part and parcel of Indian culture and civilization from the ancient times and remains so even today. Our ancestors had recognised the importance of cattle in the economic well being of the people. Therefore, they elevated cow to the level of 'Mother' and incorporated the protection of cow as an integral part of their religion and culture.

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Dairying plays a very important role in improving the economy of our country. Milk has an important place in the human diet. It is palatable and nutritious. It contains most of the food nutrients needed by humans and by young animals. In India, where a large proportion of the population, nearly 40 % is vegetarian, milk and milk products are of special value as they are the only source of animal protein in its diet.² Therefore, milk is the perfect food and hence its production has been increased in recent years.

1.3 ADVANTAGES OF DAIRYING:

Milk and milk-products play a vital role not only in our diet but also in moulding our way of life. There are so many advantages of dairy industry. Some important advantages are as below:

- 1] According to C.S.O. reports milk and milk products are second largest contributors to the gross output value with turnover of Rs.10,000 crores annually, next to 'rice' with a value of Rs.18,000 crores. Thus milk is India's second largest agricultural commodity.³
- 2] Dairying fits in well in diversified farming programmes: Diversification is highly recommended on many farms to permit efficient use of farm labour and economical use of buildings and equipment and to reduce the risk involved in having but one or two sources of income.

- 3] Milch animals are efficient consumers of roughages: Cows and buffaloes make efficient use of large quantities of roughages which on some farms may be wasted.
- 4] Dairying provides a stable income: Prices of dairy products are comparatively more stable. So this business provides stable income to the milk producers.
- 5] Income is distributed throughout the year: Most of such farm income such as that from maize, wheat and other crops is seasonal. Dairy production and income may be distributed throughout the year.
- 6] Dairy production improves the family diet and reduces cost: Milk is a basic food and an important item in the family food budget. A small dairy enterprise can be justified on some low income, marginal farms for the production of milk products for family consumption. From dairy sector as 90 % of the animal protein and 100 % animal fat is derived by Indian vegetarians from the perfect food i.e. milk.⁴
- 7] Skim milk is of high value as poultry and swine feed: Farmers who sell milkfat make effective use of skim milk in feeding pigs and poultry. Skim milk is an excellent source of protein, minerals and vitamins.

- 8] Dairy aids in maintaining soil fertility: Legumes and grasses are grown for fodder. These crops are soil conserving or soil building crops. The manure produced is distributed on the land, and returns plant food nutrients to the soil.
- 9] Dairy industry is helpful for solving the seasonal and disguised unemployment problem in rural India: Dairying is a very significant sector to generate employment with lower unit cost of employment for the target groups of the rural India. For example, it is found that one rupee invested in the dairy sector could generate three rupees worth employment. It has also been established as better source of employment as compared to other alternatives; for example, an investment of Rs.10 lakh in dairying generate 290 person years of employment, while in the crop production same investment can generate only 120 person years of employment. In fact, in the best favourable environment, dairying has found to provide as much as 78 % of the total annual income to small and marginal farmers in some regions of Gujarat.⁵
- 10] The consumers in cities are also benefited as they get milk of good quality at reasonable price.

11] Socio-economic change may take place because of dairy co-operatives. Dairy plants and dairy collection centres become additional economic and financial centres which develop in rural and semi-rural areas. These institutions when developed in the co-operative sector by and large strengthen the existing co-operative network which act as agents of socio-economic transformation in rural areas.

1.4 DAIRYING IN INDIA DURING PLAN PERIOD:

Although dairying has been part of life in India since the ancient Vedic times, the modern dairy industry took roots in 1950 with the sale of bottled milk in Bombay from the Aarey Milk Colony. Before that, raw milk without any processing was being supplied all over the country at the consumers' door in the traditional way. Prior to 1950, the private industry started in a small way in 1929 with the entry of Polsons Ltd., at Anand and Edward Keventers at Aligarh, Uttar Pradesh for meeting the limited demand for Western type of dairy products like butter among armed forces and the elite civilians. The first large-scale milk products factory was started in 1954 at Anand by Amul a co-operative venture, with the assistance of UNICEF, for the production of milk powder, table butter and ghee. These products were made from the buffalo milk.⁶

TABLE NO.1.1PLAN-WISE OUTLAY AND EXPENDITURE ON DAIRY FARMING IN INDIA

(Rs. in million)

Sr.No.	Plan Period	Approved outlay	Expenditure
1)	First Plan Period	78.1	77.8
2)	Second Plan Period	174.4	120.5
3)	Third Plan Period	360.8	336.0
4)	Three Annual Plan Period	261.4	257.0
5)	Fourth Plan Period	1390.0	787.5
6)	Fifth Plan Period	1279.8*	944.5
7)	Sixth Plan Period	4603.0	1961.0
8)	Seventh Plan Period	7517.9 (Proposed)	NA

NA Not Available.

* Excluding the outlay of the year 1978-79 owing to non-availability of data.

Source: Annual Report of the Ministry of Agriculture,
Department of Agriculture and Co-operative, Government
of India and Planning Commission Documents.

Plan-wise approved outlay and expenditure are presented in the Table No.1.1. It reveals that both approved outlay and the actual expenditure on dairying exhibited an upward trend during the planning period. Approved outlay continuously increased from Rs.78.1 millions in the First Plan to Rs.7517.9 millions in the Seventh Plan by 96.37 times. Similarly actual

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expenditure on dairying rose from Rs.77.8 million in the First Plan to Rs.1961.0 millions in the Sixth Plan by 25.2 times.

Above analysis implies that dairying has been given an important place in Indian economy.

For an adequate milk supply to the consumers in the big cities Government started organizing milk marketing infrastructure in the big cities. During the First Five Year Plan the milk schemes of Bombay, Calcutta and Delhi were already in progress. National Dairy Research Institute was set-up at Karnal in Haryana. During the Second Five Year Plan separate dairy development departments were started in a number of States.

The Third Five Year Plan envisaged setting up of 55 fluid milk projects for the cities having a population of one lakh each. The National Dairy Development Board was established in 1965 with its head quarter at Anand.

During the Fourth Five Year Plan Co-operative Dairy Farming started. The Fifth Five Year Plan envisaged the development of dairying on co-operative basis through a two-tier organization at the village level and the District level.

1.5 OPERATION FLOOD:

With the co-operation of the World Flood Programme (WFP) the Department of Agriculture formulated a project for stimulation milk marketing and dairy development in India. Under this project known as "Operation Flood" and launched in 1970-71, the WFP has agreed to supply, free of cost, during the Five Year Plan period from 1970-71 to 1974-75, 1,26,000 tonnes of Skimmed Milk Powder and 42,000 tonnes of Butter Oil worth Rs.41.90 crores at international price. After recombination of the Skimmed Powder and butter oil into liquid milk at the public sector dairies at Bombay, Calcutta, Delhi and Madras, the milk was sold and the sale proceeds from the quantity estimated at Rs.95.40 crores used for increasing milk processing facilities of the public sector dairies from one million litres to 2.75 million litres per day at the end of the Five Year Project Period. The generated funds were also used for increasing milk production and procurement in the Union Territory of Delhi and the ten neighbouring States. This project was considered as the World's biggest milk drive.⁷ Its basic concept comprised the establishment of co-operative structure on the Anand pattern. The Operation Flood-I ended in June, 1981 with an investment of Rs.1160 million, benefiting 1.5 million rural families, banded together in 12,000 village co-operative milk producers' societies (VCMPS) in 27 selected milkshed districts.

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It paved the way for an expanded programme (Operational Flood-II) with an additional investment of Rs.7800 million, covering 155 milkshed districts and linking them to markets in 147 towns and cities, benefiting 10 million rural families. By March, 1984, some 28714 VCMPs had already been brought under the co-operative umbrella. Under Operational Flood, the National Milk Grid is being erected to link the rural milksheds to major demand centres in Urban areas. At the end of March, 1984, over 100 rural dairies were marketing liquid milk in about 103 class-I cities and 122 towns. The project is being implemented by State Co-operative Dairy Federations who already have a membership of some 3.3 million farmer members. At the end of the project it is envisaged that these Federations will handle some 15 million litres of milk per day.⁸

The main emphasis during the Sixth Five Year Plan was on implementing Operation Flood Project-II. The Seventh Plan (1985-86 to 1989-90) aimed to achieve the target of 52 million tonnes of milk production by 1989-90, the last year of the plan, which will provide per capita availability of 165 gms. of milk per day.

SECTION-II

:NEED AND SIGNIFICANCE OF CO-OPERATIVE MILK SOCIETIES:

1.6 INTRODUCTION:

In the previous section the role and significance of dairy farming as a subsidiary occupation to substantiate the income of marginal and small farmers in a country like India was highlighted. Since the inception of planning it has been the Government policy to encourage dairy farming in India and for its development the role played by I.D.A. and N.D.D.B. has been significant. The Operation Flood Programme in the first two phases was successful in creating a network of primary dairy societies at the village level, the processing unit at the district level and the various State Government Milk Federations which marketed the milk collected, by sale of milk to urban areas and the production of milk by-products. In India, however, the structure of this growth as a Government policy was developed with assistance from I.D.A., N.D.D.B. and State Governments on a priority basis in the co-operative sector only. Hence with the growth and encouragement of dairy farming in rural areas also witnessed the growth of dairy industry in the co-operative sector.

1.7 NEED & SIGNIFICANCE OF CO-OPERATION IN DAIRY INDUSTRY:

Co-operation essentially is a form of economic organisation wherein people of common interest form voluntary association

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for the economic benefit of themselves and the society at large. In the other nations like Denmark, Newzealand and Australia, the dairy co-operatives formed by farmers have been very successful in bringing prosperity to the member farmers and the dairy industry has also contributed to the economic development of these countries. In India after independence and since the inception of planned economic development, growth and diversification of the co-operative sector with adequate State financial assistance was a feature of rural development policies. As a policy of diversification of the co-operative sector, the establishment of co-operative milk societies was encouraged in the plan periods. Development of the Co-operative Milk Societies was relatively easy because the co-operative structure was already developed and it became easy for the co-operative leaders to diversify the co-operative activity into milk collection and processing. Establishment of the dairy industry in the co-operative sector has the advantage of the fact that this industry is managed by the farmers themselves and local leadership and management which results in co-operative form of organisation helps the betterment of the rural people in a better way. Secondly, the establishment of co-operative milk societies and the co-operative dairy federal structure eliminates the middle men between the producer and buyer of milk and milk by-products which in the process is beneficial to both. It is against

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this background that the co-operative dairy societies and the State and National Federation was established in India in the co-operative sector.

The lead in establishing a successful District Co-operative Milk Societies' structure goes to the farmers of the drought prone Khaira District, in Gujarat State. The now famous 'Anand' pattern of co-operative milk societies began here. The 'Anand' pattern of co-operative milk societies is basically a three-tier structure of co-operative milk societies. In this pattern normally each village has one co-operative milk society established by farmers of the village. These village milk societies are the primary co-operative milk societies, the main function of which is to collect the milk produced by the member farmers, ensure quality production of milk and encourage the rural farmers to undertake milk production as a subsidiary occupation. The village level co-operative milk societies are federated into the District Co-operative Milk Federation where the milk from the primary societies is collected, graded, standardised and processed. At the District level the dairy processing plant or unit is established in the co-operative sector to process the collected milk and undertake production of milk by-products. Nearness to the primary milk societies, economy in transportation cost are the main considerations in establishing the dairy plant at the District level. At the

State level in the 'Anand' pattern, there is the State level co-operative milk federation established to market milk and by-products of the co-operative sector of this State. This type of a three-tier co-operative milk societies federal structure was a success in Anand District in Gujarat and later was recommended for establishment on an All India basis under the Operation Flood Programme.

An important contributory factor to the success of the 'Anand' pattern of co-operative milk societies structure was the active association and guidance rendered by the NDDB located at Anand under the dynamic leadership of Dr.Kurien. The NDDB, officials, and executives had a close contact and supervision over the establishment and management of the District Dairy and the primary co-operative milk societies located at the village level. Their active supervision and guidance gave a professional management to the village level primary co-operative milk societies and hence their performance was successful.

In addition in the three-tier 'Anand Pattern' of co-operative milk societies federal structure, there was the development of the much needed 'Backward' and 'Forward' linkage effect which helped in the development of the structure both at the District level and more importantly at the village base level. The success of the 'Anand Pattern', is to a great extent due to the excellent backward linkage

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effects developed by the District Co-operative Milk Federation with the primary milk societies at the village level. Provision of cattle feed, veterinary services, provision of good breeder cows, extension and educational drive to make the farmers more enterprising, etc., were the numerous 'forms' in which the 'backward' linkage effect helped in the development and consolidation of the primary co-operative milk society at the village level.

The success of the 'Anand Pattern' of the co-operative milk societies' federal structure proved that dairy business can substantiate the meagre incomes of the small and marginal farmers and hence the development of the dairy societies on co-operative basis was encouraged in India, during the plan periods with assistance from the IDA, NDDB and the respective State Governments. The Co-operative milk societies are recognised to be an effective measure to improve the milk production and thereby to make better the socio-economic life of the small and marginal farmers.

1.8 OBJECTIVES OF CO-OPERATIVE MILK SOCIETIES:

The main objectives of milk producers co-operative societies are to collect the milk in rural areas, safeguard and protect the interests of milk producers, organize marketing facilities for members' milk and fetch remunerative price of milk to them. Being responsive to milk producers needs, it

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arranges to make available to the milk producers key inputs like loans, fertilizers, fodder seeds, feed, breeding and veterinary facilities, so as to increase the milk production in the villages and thereby provide subsidiary source of income to the farmers.

The Co-operative milk federation undertake to supervise, guide and supplement the activities of primary milk co-operative societies and serve as the mainstream of dairy development activities. It provides ready market to primary milk societies for their member's milk. It develops milk processing facilities and organise consumers oriented marketing system. The federation supplies the wholesome milk in the big cities and undertakes production of milk by-products. To enhance milk production potential, the federations arrange to provide necessary inputs and services to milk producers at reasonable price and charges and it also undertakes dairy extension activities.

Thus in India with the inception and growth of planned economic development, the co-operative milk societies structure started developing in all States. However in India, we find that in all States, there was no growth of a uniform co-operative milk societies structure. Some States like Gujarat developed the three-tier structure on co-operative basis. In Maharashtra however, there is no growth of a uniform pattern. At the

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village level we find the growth of more than one primary co-operative milk society. In some districts like Sangli for example, there is the growth of the Taluka Co-operative Milk Societies Federation and the absence of the District Central Co-operative Milk Federation. At the District level hence as in the case of Sangli District, we find the establishment and working of the Government Milk Scheme, Miraj, whose main responsibility is to collect, process and market the milk collected by village co-operative milk societies in the absence of the District Co-operative Milk Federation.

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