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## **CHAPTER - II**

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## CHAPTER 2

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### MILK CO-OPERATIVES

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## CHAPTER 2

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### MILK CO-OPERATIVES

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#### 2.1 INTRODUCTION

Milk is recognised as the most valuable single article of a man's diet, being both a nutritive and a protective food. In India, the per capita consumption of milk per day ranges from 37 gms. in Kerala to 396 gms. in Punjab as compared to the 990 to 1698 gms. in most European countries.

Most of the milk is produced in rural areas, while the profitable market for milk and milk products is largely urban. Co-operative milk supply societies and milk products unions largely have been organised for ensuring adequate supplies for fresh milk to urban consumers.

As regards the production of milk is concerned, as compared to other countries, the milking of Indian cows is very less. For instance, as per 1981 Census, in India one cow in year gives 500 pounds milk but in France the cow gives 4,000 pounds, in Russia 5,000 pounds, Japan 6,000 pounds, Australian cow gives 7,000 pounds, and in Denmark cow gives 8,000 pounds<sup>1</sup>.

## 2.2 ESTABLISHMENT & DEVELOPMENT OF MILK SOCIETIES

In view of the importance and scarcity of milk in India, in the year 1912, Govt. of India passed law related to milk dairying and gave green signal for establishing more co-operative milk societies. In 1913, the first co-operative milk society was registered in Allahabad and subsequently, number of milk societies started establishing in various parts of India. At the end of Second World War there were 19 co-operative Dudha Sangh and 264 primary milk societies in India.

After Independence more efforts were made to increase milk production and developing the milk business. Through various five year plans, the Govt. has made allround attempts to bring White Revolution in the country.

During the First Five Year Plan, more importance was on agriculture development. But there was no special attention on co-operative milk business. At the initial stage there were 948 primary milk co-operative societies and 48 District Dudha Sanghs. At the end of the plan, 1434 primary milk co-operative societies and 56 Dudh Sangh were operating.

During Second Five Year Plan, Rs. 19 crores were sanctioned of which Rs. 10 crores were spent for the development of milk business. At the end of the plan, there were 3200 primary co-operative societies and 96 Dudha Sanghs.

Plans were chalked to develop dairy projects wherein milk production in rural areas was linked with marketing of surplus milk in urban areas. Twentysix milk plans were drawn and implemented in cities where the population was more than 1 lakh. At the end of the plan (1965-66), the number of primary societies increased to 8062 and those of Dudha Sangh to 135.

Fourth Five Year Plan emphasised on modernisation of primary co-operative societies. Weaker sections of the society and landless co-operative primary milk societies were developed throughout India. As a result, the number of primary co-operative societies has increased to 8,400 and Dudha Sanghs to 140 at the end of the plan period (1973-74). The establishment of National Dairy Development Board (NDDB) gave a new thrust to milk development business in India through formulation and implementation of Operation Flood Programme throughout the length and breadth of the country.

Fifth Five Year Plan stressed on development of Milk Project through co-operative sector. In every State, a Dudha sangh was developed to improve the financial strength of the primary milk co-operatives. At the end of this plan (1978-79), the number of primary co-operative societies increased to as high as 25,830 and District Dudha Sanghs increased to 176.

In the Sixth Five Year Plan, State and Central Govt. were asked to establish primary societies, District Co-operative Sanghs, State Milk Federations and National Milk Federations. The milk business in private and Govt. was converted into co-operative sector. Another programme called Operation Flood II was undertaken. Under this, Northern and Western part of India were taken into consideration. At the end of the VIth plan (1984-85), there were 37,400 co-operative milk societies and 240 District Co-operative Sanghs.

The Seventh Five Year Plan emphasised on avoiding middlemen in milk business and providing quality milk at reasonable rate to both the producers and the customers. During 1986-87, the Maharashtra Govt. in order to collect milk quickly, established one Dudha Sangh per taluka. During the plan, the number of primary co-operative societies rose to 39,678 and Dudha Sangh to 270.

### 2.3 OPERATION FLOOD PROGRAMME

Taking into consideration many positive points in favour of co-operative sector and practical results shown by the milk co-operatives in Gujarat, the Govt. of India felt to extend institutional support to industrialise and organise dairy efforts in entire rural India through co-operatives. In 1965, the Ministry of Agriculture and Irrigation constituted National Dairy Development Board (NDDB) under the Societies Registration Act. In 1969 NDDB formulated an integrated dairy development programme, which was accepted by the Govt. in 1970. The scope of the widely known programme called Operation Flood I, was confined to serve milk markets in four metropolitan cities - Bombay, Calcutta, Delhi and Madras. The five year programme (1970-75), was extended upto March 1981. The project was entirely based on World Food Programme (WFP), the cost of which was estimated to be 153 million dollars. The WFP offered India, 1,26,000 tonnes of skimmed milk powder and 42,000 tonnes of butter oil as a grant. The sale proceeds of these commodities Rs. 116.4 crores were deployed for this project. The Indian Dairy Corporation (IDC) was set up in 1970 as a financing and promotion link for the phase of programme. The progress of the project in terms of milk production and handling capacity generated is displayed in TABLE below.

**TABLE 2.1 GROWTH OF MILK PRODUCTION IN INDIA**

| <b>YEAR</b> | <b>MILK PRODUCTION<br/>(MT/YEAR)</b> | <b>GROWTH IN<br/>DECADE</b> |
|-------------|--------------------------------------|-----------------------------|
| 1940        | 16.61                                | -                           |
| 1950        | 16.93                                | 1.92                        |
| 1960        | 19.74                                | 16.59                       |
| 1970        | 20.71                                | 4.91                        |
| 1980        | 29.72                                | 43.50                       |

The second phase of NDDB programme called Operation Flood II, was started from April 1981. It was an extension of the first phase with wide objectives like :

- i) To extend the dairy co-operative structure to cover 10 million rural milk producer families.
- ii) To enable participating milk producers to rear 10 million cross-bred cows and upgraded buffaloes.
- iii) To link rural milk producers with urban demand centres by covering 150 cities with more than 1 lakh population.
- iv) To build infrastructure for technical inputs services and management services.



2.4 STRUCTURE OF DAIRY CO-OPERATIVES

The present structure of the dairy co-operatives consists of :

- (i) primary milk producers societies and,
- (ii) milk supply unions or sanghs.

The main objective of the former is to help their members to increase their production of milk and arrange for the profitable sale of milk and milk products in markets, usually through the latter.

It is relevant to note here that the Govt. of India advised the State Govt. that ordinarily, where a village service co-operative was functioning satisfactorily no separate milk producers co-operatives need be organised and that the work of milk collection and financing of members should be entrusted to the village service co-operatives. The Working Group on Animal Husbandry and Dairy Co-operatives recommended that where no co-operatives existed or where there was concentration of milk producers, whether or not they be cultivators, separate milk producers co-operatives societies should be organised subject to the condition that such societies should be economically viable units.

The primary milk supply societies are federated into 154 unions. State level federations are functioning in U. P., Gujarat, Maharashtra, and Punjab. At the national level, there is National Co-operative Dairy Federation, which is the most important spokesman of co-operative sector of the dairy industry in the country.

## 2.5 CREDIT NEEDS

The dairy co-operatives need long term finance for establishing, processing units, pasteurisation plants, investment on building, plant, machinery, etc. They need medium term finance for the purchase of live stock for replacement and short term loans for meeting working capital requirements connected with the purchase of feed, payment of wages and salaries.

In the early stages of development of dairy co-operatives, the bulk of their credit requirements was met by Government. The Working Group on Animal Husbandry and Dairying Co-operatives suggested that credit facilities might be provided by Govt. for various purposes. For instance, the Group recommended that the Govt. should assume responsibility for financing the block capital requirements of co-operatives, since there was no other agency to meet these requirements.

At present, the most important source of finance of milk co-operatives is borrowings from State Governments and Central financing agencies.

The Agricultural Refinance Corporation has decided to provide refinance facilities, through co-operative institutions, for dairy development, provided suitable schemes are drawn up for specified compact areas. The area to be selected for the implementation of the schemes of dairy development should be compact enough to ensure close and intensive supervision. The milk producers in the area of the schemes are expected to be organised into co-operative societies which should undertake to provide finance to its milk producer member for purchase of milch cattle. The financial accommodation to be provided by the Agricultural Refinance Co-operation is intended to cover dairy development, involving interalia purchase of milch cattle by dairy farmers including non-agriculturists and setting up of processing units such as chilling and pasteurisation plants. Having regard to the target of utilising at least 75 percent of the plan resources earmarked for dairy schemes through co-operatives, it is essential that the facilities for financial accommodation offered by the Agricultural Refinance Co-operation would be availed of by the co-operative institutions to maximum extent.

## 2.6 PROBLEMS OF MILK CO-OPERATIVES

One of the most important factors for the poor performance of milk co-operatives is that they have not realised the crucial importance of increasing yield per animal by better breeding and feed. A major area of weakness of primary dairy co-operatives is that they function merely as "milk vendors", purchasing milk from their members and selling to dairy plants in co-operative or public sector. Dairy development is an integrated process unless co-operatives adopt an integrated approach, success will always elude them.

Dairy co-operatives many times ignore that the loyalty of members is to be ensured through service. The most significant of the service is economic benefit to the members through payment of better milk price. It is the favourable pricing policy to producers adopted by co-operatives in Maharashtra that has been largely responsible for large scale development of dairy co-operatives in Maharashtra in recent years.

One of the essential conditions for the success of milk co-operatives and other animal husbandry activities is that the establishment of such units should be preceded by

and based on an investigation into all the factors which have bearing on their viability in operation. However, a number of large pasteurisation plants have been set up in the co-operative sector without even ensuring continuous and adequate supply of milk. There generate a feeling of discontent among the producers as well as consumers.

Another problem worth noting, is under utilisation of the dairy capacity. The extension of the selective package approach towards the streamlining of and strengthening of milk supply societies in the milk shed areas of the dairy products will go a long way in increasing supply of milk.

As regards the financial viability of milk co-operatives is concerned, during 1976-77, out of 23,851 milk co-operatives nearly 50 percent worked at profit, 30 percent showed losses while the remaining showed neither profit nor loss. However, the position has deteriorated considerably during next 15 years due to ever increasing inflationary trend. Many milk co-operatives are running in losses due to one or the other reason. The important being non-revision of prices of milk by the Govt., inflation, competition from private milk purchasers and domestic consumers offering better price, etc.