

CHAPTER - I

INTRODUCTION



CHAPTER I

THE CO-OPERATIVE DAIRY DEVELOPMENT IN INDIA

1.1 INTRODUCTION :

In a preeminently agricultural Country like India, dairy development assumes importance. Farming may prove to be profitable in view of the inter-dependence of cattle and land, while milch cattle constitute an important source of income for rural poor.

Cattle remains as the sole motive power of agriculture and without them no cultivation is possible and no produce could be transported. They provide much needed milk and milk products. The contribution of animal husbandry ^{is} (in) 5 to 6 percent of India's National income. 1

Widespread unemployment and under-employment also presents a strong case for the adoption of dairy farming and mixed farming to mitigate this problem. It has also been proved in other study that milk production is more economical for landless persons and small farmers than in big farms.

Milk provides about two thirds of animal protein consumed in India and family expenditure on milk and milk products tends to increase proportionately more than income. It is estimated that over 74% of the households in the urban area and 52% in the rural area consume liquid milk daily in states like Gujarat, Haryana, Himachal Pradesh, Punjab, Jammu and Kashmir, Rajasthan, more than 90% of the households in the urban areas consume liquid milk with the rising urbanisation the demand for animal protein in the form of milk will continue to rise. India's milk production values about Rs. 120 billion.²

When we consider milk production three inputs stand out, animals, feed and labour, Labour is abundant in India's villages most of the year and direction and there was distinct absence of developmental thrust in this area. The Government policies had piecemeal approach and there was very little emphasis to link milk production in the rural areas with the urban demand for milk and milk products. As a result, the growth in milk production in the early years was very low despite considerable investments in various inputs programme.

1.2 NEED FOR INCREASING MILK PRODUCTION :

The need for promotion of dairying in India arises due to several reasons such as low per capita availability of milk, large scale unemployment and

underemployment, encouraging mixed farming for fuller utilisation of ~~form~~ by produces and wastages and raising the living conditions of rural poor, achieving self-sufficiency in the production of milk and milk products and save valuable foreign exchange. In the ultimate analysis the need for dairy development in India, arises due to two main reasons.

1. Supply of adequate quality of milk of reasonable price to urban consumers.
2. To provide viable subsidiary occupation to unemployed rural poor so as to raise their income earning capacities. It has great potentiality for improving the economic lot of the large number of small farmers and agricultural labourers this is another more important aspect of dairying. According to the agricultural census 1971, out of the 7.05 crores operational holdings in the country half of them were less than one hectare. The concentration of bovine population is more in small farms, an analysis of the Indian bovine economy reveals that the average number of bovine stock per unit of cultivated area in holdings with less than one acre carry over six times as many as bovines per unit area of holdings of 30 acres and more. Again there is preponderance of adult females in very small holdings which seem to suggest that they concentrate more on milk production.

1.3 DEVELOPMENT OF DAIRY INDUSTRY :

The National Commission on Agriculture, in its interim report (1972), recommended that in respect of milk production, collection and marketing of the village level, the functional co-operative system is considered to be best suited. The primary co-operative may consist of all producers and suppliers of milk in the village or a group of Villages. The primary co-operative may consist of all producers and suppliers of milk in the village. These primary co-operative may be linked up directly with functional co-operative organisation or a co-operative at therefore remains idle. Fodder and agricultural by products are nonedible by human beings and the idle labour has very little or almost Zero opportunity cost. Combining there inputs dairying produces an economic commodity that has significant market value.

This unique characteristic of dairying is further manifest in its dominance amongst majority of marginal and small farmers and landless labourers. Since crop production alone cannot absorb the growing labour force arising out of extensive landlessness among rural population, dairying provides an alternative and more so in view of the spurt in Foodgrain production that is available in greater quantities of crop residues.

With the onset of the five year plans for the country's socio-economic development several rural development programmes including key village scheme were initiated. Under this scheme various assistance was provided to milk producers for improved breeding, feeding and animal health. In the urban areas, cattle colonies were set up to feed the city milk scheme. This somewhat isolated approach towards dairying failed to build a link between the key village scheme and the urban milk scheme like the Greater Bombay was initiated in July 1970. The project aims ultimately at establishing a broad basis of accelerated development for our National dairy industry. Traditional dairy technology necessitated milk and milk products to be consumed close to the point of production. The major cities were therefore provided with milk by bringing the cows and buffaloes from rural areas as a result of which the cost of feed transportation and problems of pollution were formidable. The economic loss arising from unutilised manure and from drain of better animals from breeding areas was also a cause for concern. The fifties and the sixties were the years of stagnation in the dairy sector. Apart from a motley collection of small and medium Govt. Milk Schemes, dairying in the country was largely unorganised and left in the hands of middlemen, vendors and halwis. The milk schemes depended mostly on imported milk powder 3

to meet the local demand for liquid milk. The entire dairy sector during this period locked proper milk schemes and other and as a result neither the milk producers nor the government dairy plants could fully benefit from these programmes. Departmently run schemes had generally failed to achieve results. As these schemes found increasingly difficult to organise rural milk procurement, they depended more and more on imported milk powder, the price of which was marginally lower than the equivalent volume of local milk. This no doubt discouraged the farmers to concentrate on milk production and left them in the hands of "middle men" and the dairy sector in utter shambles. Dairy development in this period meant nothing but building milk processing plants. 4

1.4 THE CO-OPERATIVE SECTOR :

The first integrated milk producers Co-operative was established at Anand in 1946 which later took the shape of Amul. Since then a revolution has taken place in the concept of dairy development. The renaissance that took place in Kaira district now become an accepted pattern for the entire country & system based on consensus and an organisation, the Anand Pattern Co-operative which become the nucleus of dairy development, in the Country, have instilled a sense of participation in milk producers

that has resulted strong grassroot level institutions owned by farmers themselves.

By the end of 1960's India's dairy sector was still experimenting with several possibilities to evolve a more meaningful and appropriate approach that would provide, adequate impetus for fast growth. Absence of an integrated thrust in milk production was largely responsible for making dairying in the rural areas an economically uninteresting activity. This scenario has, however, how changed in many parts of the Country and dairying has assumed a much greater role in the rural economy than before.

1.5 THE ANAND PATTERN :

Anand pattern Co-operative is a serving as the best instrument for brining socio-economic change. The producer-consumer linkage which is one of the preconditions for successful agricultural growth is one of the important features of the Anand pattern and this has been the major objective of the Operation flood that ensures the producers regular and stable incomes throughout the year. It is no longer the wish of the middlemen but the market forces that determine the producer, price and this is visible in the rising trend of producer prices. The lean and flush price fluctuations due to seasonality in milk

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production has been satisfactorily ~~exened~~ out. At the same time, the consumer price of milk has moved in line with other food commodities, and has not been affected by the general inflationary trend of price rise in the economy. The present dairy industry is not merely a number of dairy plants with all sorts of sophisticated technological trappings but an integrated system which taken care of every aspect, from milk production to marketing.

The co-operative dairies to day are handling over 7 percent of the Country's total milk production. In the flush period of 1985, more 100 lakh litres of milk was collected daily and this trend is likely to continue. Nearly 160 rural dairies are marketing milk in more than 400 urban centres. Between 1970 and 1986, the Country's milk processing and marketing capacities under co-operatives have increased manifold. The through put of the Indian dairy industry which was only 50,000 metric tonnes of milk solid, in the mid - 60s has gone up to almost 5,40,000 metric tonnes, while imports accounted for 22 per cent of the total through put in 1969-70, they now account for less than 6 percent. There has been significant growth in the production of non traditional milk products in the Country, milk power of all types produced in the country rose from 22,000 tonnes in 1970 to an estimated level of 1,20,000 metric tonnes in 1985-86, modern technology has also made

possible the realisation of the value of both fat and SNF in milk which was traditionally not realised by the producers while they themselves produced ghee. Today Country's market is full of a variety of dairy products which are produced totally indigenously, and this trend is likely to continue. Nearly 160 rural dairies are marketing milk in more than 400 urban centres. Between 1970 and 1986, the country's milk processing and marketing capacities under co-operatives have increased manifold. The through-out of the Indian dairy industry which was only 50,000 metric tonnes of milk solid, in the mid - 60s has gone up to almost 540,000 metric tonnes; while imports accounted for 22 percent of the total throughout in 1969-70, they now account for less than 6 percent. There has been significant growth in the production of non-traditional milk products in the Country. Milk Powder of all types produced in the country rose from 22,000 tonnes in 1970 to an estimated level of 1,20,000 metric tonnes in 1985-86, modern technology has also made possible the realisation of the value of both fat and SNF in milk which was traditionally not realised by the producers while they themselves produced ghee. Today country's market is full of a variety of dairy products which are produced totally indigenously. 5

1.6 OPERATION FLOOD :

The Operation flood project was formulated by the National Dairy Development Board and executed by the Indian

Dairy Corporation. This project was initiated in July 1970. This is the world's biggest milk drive launched in any country. The project aims ultimately at establishing & broad basis of accelerated development for our National dairy industry.

Operation Flood is a major departure from the conventional approach of the Govt. departments directly handling milk production (through Commission Agents) Milk processing (through Govt. dairies) and distribution (through booths managed by departmental employees). The programme is based on the Anand pattern, a system through which the infrastructure for production, procurement, processing, marketing and production, enhancement are owned and managed by the producers themselves and through which they increase production & supplement their income. Operation flood attacked these weaknesses namely unemployment and poverty using our human and animal resources.

The planners of operation flood, projected large amount for the dairy development. The Operation Flood I's proposal was being finalised for Rs. 100 Crores, 485 Crores was projected for of II, & Rs. 680 crores was projected of III.

Today there are 4 million farmers organised into 40,000 village milk producers' co-operative societies, federated into 150 district milk producers' co-operative

unions and federated at the State level into 22 state co-operative federations. Between them they handle during the Flush season about 100 lakh litres of milk dairy, paying to the Farmers for their milk, sum Rs. 700 Crore a year. The Commercial import of milk products into India has been completely stopped. The success of operation flood has prompted many of our neighbouring countries like Pakistan, Bangladesh, Sri Lanka^a and Philippines to emulate it.

a) MILK PROCESSING :

In 1970 when the programme was initiated, inadequacy of processing facilities both in the rural areas and the metro cities was a major bottleneck in further development. In same state like Maharashtra did not have sufficient processing facilities to increase the milk procurement when all these happened, the rural dairies covered under, of expanded their processing capacity to about 106 lakh litres/day. During 1985-86 milk procurement of 62% of the plants covered under of their plant capacity.

Manufacture of milk products during the year has also crossed all previous records. Total milk powder production by the operation flood dairies increased from about 71,000 mts. in

1984-85 to about 88,000 MT 1985-86 a record jump of 24% by the previous records the total production of powder in the country is expected to the over 1,25,000 M.Ts. during the year.

b) BENEFITTING THE CONSUMERS :

The milk consumers in the metro cities, who were dependant ration cards during 1960. That time there was only 9 lakh litres of milk marketed. Today over 30 lakh litres of milk in being marketed. The milk markets of the organised sector were further expended from 4 metro cities, to over 400 class I cities and other towns. Now the consumers gat quality. Milk, standardised milk, toned milk, Daily on estimated 55 million consumers patronise operation flood dairies.

c) EMPLOYMENT AND INCOME :

Operation Flood assisted in increasing employment opportunities in the rural areas particularly in areas of milk production, direct employment in the primary societies,, chilling centres, dairy plants, cattlefeed plants, co-operative milk unions, co-operative Federations, etc. The programme having altogether provided direct

employment to an estimated lakh per[^]ople
beginning from the village society upwards
including professionals like Engineers
veterinarians, etc.

One remarkable feature of the programme is that about 72% of members of primary co-operatives belong to the economically backward classes. These include landless labourers (21%) marginal farmers (29%) and small Farmers (22%). About 51% of the total members belong to scheduled castes, Scheduled Tribes and other lower classes. It is seen that the rate at growth in milk production per animal and per house-hold was the highest among the socially weaker sections of has possibly become one of the major programme assisting these below the poverty line to come above the line.

Under operation Flood I and II the progress achieved has been quite remarkable. Today there are 4 million Farmers organised into 40,000 village milk producers co-operative societies, Federated into 150 district milk producers' Co-operative Unions and Federated at State level into 22 State Co-operative Federations. Between them they handle during the flush season about 100 lakh litres of milk daily, paying to the farmers for their milk some Rs. 700 more a year. The commercial import of milk products into India has been completely stopped. The

success of operation flood has prompted many of our neighbouring countries like Pakistan, Bangladesh, Shri Lanka and Philippines to emulate it, all the international agencies connected with the implementation of Operation Flood I & II like world food programme. The operation flood has been a successful programme but the main problem has been to get the co-operative movement to function, efficiently honestly and effectually. 6

The rationale of the Operation Flood project has created a great controversy among the academicians co-operators and even policy makers. We have deliberately avoided the controversial issue. The operation flood project is discussed here only as a land-work in the development of co-operative dairy industry in India.