



# **Best Feature in Business Journalism**



## SUDHIR RAMCHANDRA GORE

### BEST FEATURE IN BUSINESS JOURNALISM

*Sudhir Ramchandra Gore won the PoleStar Award for 2010 for his article, 'White Crisis', which appeared in India Today, dated April 2010.*

Sudhir Ramchandra Gore is an Assistant Editor with India Today. He has worked with Times of India, Free Press, Dainik Bhaskar and Nai Duniya in various capacities, largely with business desk and reporting. He has majored in English and Political Science besides having a diploma in Business Management. In mainstream journalism since 1990, Sudhir is passionate about development of digital content in Indian languages.

# White crisis

Sudhir Gore

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English economist Alfred Marshall, known for developing the economic concepts of supply and demand, said consumption is "negative production". India's changing dairy scenario is a classic example of this assertion. Despite a robust 4 per cent annual growth in milk production over the past decade, India is heading for a painful shortage of milk this summer.

Says National Dairy Development Board (NDDB) Chairperson Amrita Patel, "The demand for milk is increasing much faster than production." The higher GDP growth rate, enhanced income of rural households through programmes such as NREGA and the farm debt waiver as well as salary hike of government employees after the recent Pay Commission report are influencing the demand for milk, both in rural and urban areas. "Consumption of milk and milk products has significantly gone up in the country," says R.S. Khanna, international dairy consultant.

Apart from the fast increasing appetite of Indians for dairy products, increased cattle feed costs and shortfall in milk procurement during the flush (winter) season are the major factors behind the increase in milk prices. The WPI (wholesale price index used to determine inflation) for milk has shown a rise of 22.21 per cent year on year for the week ending April 3, 2010.

India's milk production during 2000-01 was 80.6 million metric tonnes (MMT) which increased to 108.5 MMT during 2008-09. During the same period, per capita milk availability has increased from 220 grams per day to 261 grams per day though it is lower than the world average of 280 grams per day.

Despite the increase in production, the price of a 1-litre toned milk pouch (Ahmedabad) has gone up from Rs 13 to Rs 23 in the last 10 years. The multiplier effect can be seen on milk products where prices of critical products like ghee and butter have increased by 104 per cent and 92 per cent respectively during the last decade.

Former US president Ronald Reagan once called inflation "as violent as a mugger, as frightening as an armed robber and as deadly as a hit man". This may be a bit dramatic but dearer dairy commodities are among the potential pressure points for food inflation affecting every citizen, because milk forms the largest share-18 to 20 per cent-of expenditure on food items in the consumer basket as per 2008-09 estimates.

What price consumers pay for milk depends crucially on how much it costs to produce. Cattle feed contributes over 70 per cent of the cost of milk production. According to the Economic Survey 2009-10, there is a

green fodder shortage of about 34 per cent in the country. This shortage and the resultant high cost of fodder has led to about a 40 per cent increase in its cost and more than 20 per cent increase in the cost of milk production.

Industry sources say India's de-oiled cake exports had increased from Rs 3,177 crore in 2004-05 to Rs

**"We have dithered from the policy direction of the 1960s to 1990s." B.M. Vyas, MD, GCMMF, Anand**

10,000 crore in 2008-09. "By disincentivising oilmeal exports, availability of feed would increase and partially solve the problem," says B.M. Vyas, managing director, Gujarat Cooperative Milk Marketing Federation (GCMMF), Anand.

"We had requested the Government to remove excise on molasses and reduce vat on the same to reduce cattle feed manufacturing cost," he said, adding that the finance minister had, however, overlooked the demand in this year's Budget. In order to meet the projected demand of 180 MMT of milk by 2021-22, milk production in the country has to grow by 5 MMT annually, twice the present growth of 2.5 MMT per annum.

"The dairy industry must respond to the rapidly growing demand for milk," says Sharad Gupta, editor, Dairy India, a data compendium of India's dairy sector.

**"Rising demand despite the price rise reflects growth in purchasing power." Amrita Patel, Chairperson, NDDB**

Urban India consumes over half of domestic milk production. Rising awareness about hygiene standards and preference against loose milk has prompted the urban consumer to switch to pasteurised packaged milk. This has created a demand of 140 million litres per day, which is expected to double in the next five years.

R.G. Chandramogan, Chairman, Hatsun Agro Pvt Ltd, says, "The cooperatives and private entrepreneurs would need to invest in an efficient and organised rural milk procurement network and reduce its dependence on intermediary milk collectors and transporters."

According to Gupta, the domestic market for value-added products like butter, cheese, ice cream, dairy whiteners and spreads is galloping at 8-10 per cent per year since 2003-04. The infant food market is expected to grow 10-15 per cent annually. Annual production of traditional sweets in India is estimated at 3 MMT, valued at Rs 70,000 crore, says Gupta.

Tied to availability and price of milk is the productivity of dairy animals, which varies widely across the country. The average milk yield of cross-bred cows varied from 3.52 kg/day per animal in Assam to 8.95 kg/day in Punjab in 2005. Uttar Pradesh, with the highest production (18.8 MMT in 2007-08) in India, had a per capita availability of 250 grams/day, much lower than that in Punjab (898 grams/day).

India's milk production economy is based on conversion of agro by-products and opportunity labour. Therefore, the cost of milk production here is among the lowest in the world, making it globally price competitive without any subsidy. According to a

**"The cooperatives and private players need to invest in the procurement network." R.G. Chandramogan Chairman, Hatsun Agro**

memorandum submitted recently to the prime minister by 14 leading cooperatives, milk is the largest agri produce in India, in value terms above Rs 2.25 lakh crore (in August 2009), and the milk group contributes the most to the total output of the agriculture sector, surpassing the output value of wheat, rice and oilseeds.

Says N.R. Bhasin, president Indian Dairy Association (IDA), "There is a neglect of the dairy sector, lack of investments to promote higher yield, policy lacunae regarding cattle feed and non-availability of credit to small producers."

The management of the dairy sector in India may need an overhaul too. The Department of Animal Husbandry and Dairy Development has inherently been a part of the Ministry of Agriculture. "As part of the ministry, it is always discriminated against. The sector is in need of an owner who should seek a budget for its growth and development," says Khanna.

**At 18-20 per cent, milk has the largest share among food items in the consumer basket, but receives a raw deal in budget allocation.**

Despite dairy contributing more than 30 per cent of the agriculture input to the GDP, it has never been given more than 8 per cent of the total allocation for agriculture. Says Vyas, "Absence of significant initiatives after completion of Operation Flood in 1994-95 is a policy lacuna. Apart from lack of investment, we have dithered from the policy direction which we had followed during 1960s to the '90s."

The January 2010 report of the advisory committee constituted by the Planning Commission on animal husbandry and dairying says that the overall investment made in livestock and dairy sector has been insufficient over the Plan period. With the meagre budgetary allocation made to the sector, it would not be possible to achieve the desired growth rate of 6 per cent targeted in the 11th Plan.

**"The Government should invest heavily in animal feed, breeding and their health."**

"The Government should heavily invest in animal breeding, animal health and animal feed, and private investment is required in processing, marketing and value addition of dairy products," says Khanna.

The NDDB's proposed National Dairy Plan (NDP) is a ray of hope. It aims at meeting the projected demand of about 180 MMT of milk by 2021-22 with an estimated outlay of about Rs 17,371 crore. Increasing productivity, strengthening infrastructure for procurement, processing, marketing and quality assurance through institutional structures and human resource development are the NDP's major components.

Vyas suggests, "The NDP must follow cooperative structure of dairying. Dr. Kurien's Anand model has yielded phenomenal growth." The proposed livestock policy also aims to strengthen milk production, procurement and processing facilities by synergising the cooperative and private sectors.

Ignoring the dairy sector can prove fatal and suicidal for national growth. It is important that it is given its rightful place and parentage.