



Indian Dairy Association 44th Dairy Industry Conference

Keynote address

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Dairying in India by 2030: Make in Rural India

I am happy to note that the Indian Dairy Association has chosen the theme **“Dairying in India 2030: Make in India”**, my preference would have been **“Make in Rural India”** for its 44th Dairy Industry Conference this year. This is not only contemporary but also relevant in the context of development that has been unfolding in agriculture and dairying. I congratulate the organizing committee for selecting a topic in sync with our national priorities.

Friends, the dairy scenario in the current year is different compared to past many years. To deliver the Keynote address for the dairy industry conference in such a situation is therefore not an easy task.

Development across the border impacting domestic dairy industry

We live in a globally connected world. Events in other countries affect our country. India is no exception. It is necessary therefore that world dairy scenario, especially international dairy trade, world production and commodity price behavior are considered before I go into the present national scenario and an outlook for 2016-17.

There has been a global meltdown in the agricultural commodity prices during the year including milk. As per FAO annual food price indices, dairy price index has slumped by 28% in 2015 over 2014, highest among all agricultural commodity prices. The Food Price index has declined by 19%.

Between December 2014 and December 2015, international price of SMP slumped by 20% and now stands at 1800

USD per ton from a high of 2850 USD per ton in March 2015. The comparative price of AMF fell by 10% and now stands at 3485 USD per Ton. When we observe successive GDT auctions, we find that prices have reached a low level equilibrium, lowest compared to past many years. The slump in international prices is essentially due to reduction in imports by few major consuming countries in the world. China, the world's biggest dairy importer, imported 40% less this year as it exhausted stockpiled milk powder and currently facing macroeconomic slowdown. The traditional large importer, Russia, reduced imports by 30%. Reduction in World trade of dairy commodities had a cascading effect on the major exporting countries, leading to reduction in producer prices of milk. Reports indicate that in New Zealand, milk prices paid to their milk producers declined by 40% during past 2 years and in EU milk prices to the producers fell by 25% during the above period. Many countries and Governments are devising innovative ways to handle the crisis.

The record global milk price in 2014 induced farmers to produce more milk and the world milk production increased to 805 million tonnes in 2015, growth rate almost doubling compared to 2013. Milk production in the US continued to rise for the fifth consecutive year. In the EU, removal of past 30 years' quota increased production – particularly in Ireland, the UK and the Netherlands.

In India, milk procurement by the cooperatives averaged at 405 LLPD during April-January 2016, up by 14% compared to last year same period. In absolute terms, the cooperatives received 50 LLPD additional milk per day, while they could sell only 10 LLPD. This excess milk supply is coming from dairy farmers who have been abandoned by the private

players. Since they find milk collection and conversion into commodities uneconomic in the present market conditions, cooperatives have become the only savior of the milk producers. But dairy cooperatives have constraints like capacity, finite market for liquid milk and involuntary stock build up, but they cannot let down their members, a value system that is ingrained and reinforced in the producer centric organisations.

At a time when the external outlook does not appear promising, it is important that all stakeholders work together to safeguard the interests of domestic milk producers. We observe that some have gone in for aggressive cut in milk prices to the producers, while some want to take advantage of low international prices even if it means long term damage to our farmers and to themselves.

There are newspaper reports that farmers in some states where dairy cooperatives and producer owned institutions are weak, are the worst hit. Coupled with lower price for their milk, the valuation of their milch animal asset is also waning now. If this continues, there could be severe adverse consequences.

The dairy industry needs to analyse this situation carefully and come out with strategies to safeguard the interests of our milk producers. I am happy to note that there are domestic opportunities to explore more aggressively, rather than waiting for exogenous factors to play out favorably. *In this situation, I would urge upon all of you to consider prioritizing the interests of the **"Farmers First"** and not do anything that affects the economic viability of dairy farming particularly of the small farmers.*

Milk feeding to address hunger and nutrition

At another level, the report of Global Hunger Index (2015), released recently, observes that the developing world has made considerable progress in reducing hunger since 2000, where the Global Hunger Index has dropped by 27 percentage points. In India, according to this report, undernourished population stands at 15%, incidence of stunting among the children under 5 years of age is 39% and under-five mortality is estimated at 5%. While the progress is good, we still have a long way to go. The Socio Economic Caste Census (2011) of government of India adopted 7 criteria for deciding on deprivation status of the households and it was found that 10.7 crore households accounting for 60% of all households have some kind of deprivation or other, out of which 30% fall under deprivation criteria of landless households who derive their income from casual labour.

Many of these hungry and under-nourished population live in the rural and backward areas, and milk as a provider of nutrition and dairying as a provider of employment and income have to be recognized as effective development interventions in the context of prosperity of the rural and backward areas.

In almost all the 17 Sustainable Development Goals adopted by the World leaders at the United Nations Special Summit in New York, milk has significant role to play, the most important being nutrition. A diet that contains sufficient milk or dairy to provide 25-33 percent of the daily protein requirement (about 200-250 ml of milk or 15-20 g of milk powder) may have a positive effect on weight gain and linear growth in children aged 6 months to 5 years who are suffering from moderate malnutrition.

We have recognized this and NDDDB has taken an initiative named “Gift Milk” through its newly established “*NDDDB Foundation for Nutrition*” (NFN) where it will partner with various PSUs and corporate houses to channel their CSR funds towards sponsoring a glass of milk for the underprivileged children. *I ask all Milk Cooperatives to be an active part of this initiative. I appeal to all corporates to support this cause.*

Dairying to play out under Make in India

In the last 4 decades, India's small holder dairy production system has contributed substantially to the national milk production and to agricultural GDP. From a low base of 22 MMT in 1970, milk production has grown to 146 MMT in 2014-15, with a significant improvement in the per capita availability of milk at 322 grams per day. Increased investment in various sectors and a higher rate of growth will create increasing demand for agricultural produce including milk and dairy products. As stakeholders, we need to broaden our vision to meet the potential demand of quality milk and a variety of milk products. The time is opportune to promote some strong brands by combining our strengths.

Manufacturing of compound cattle feed requires greater attention. As structure of milk production changes in the coming days, there would be greater need to feed our animals with compound cattle feeds, which at present meet only 11% of the requirements of bovine animals. These need to conform to quality standards and have a region specific focus.

How is our socio economic structure shaping

We are happy to note that the NSSO has released a series of reports recently which have relevance to the dairy sector

as they provide much greater insights into our understanding of the sector. I would like to share some of the unexplored highlights.

The All India Debt Investment Survey (NSSO 70th Round) indicates that 44% of the rural households own bovine animals and for about a quarter of the rural households in Tamil Nadu, Kerala (22%), AP (20%), Haryana (15%), Punjab (15%), Rajasthan (11%) and Gujarat (18%) dairying is the chief source of livelihood. The survey also suggests that about 50% of bovine owning households have bank accounts. *With our push for Jan Dhan Yojana, this will move to above 90% in areas with a strong milk procurement structure.*

We have found another interesting data from our analysis of employment unemployment survey of the NSSO (68th Round). An estimated 15.75 crore rural women in India are engaged in domestic duties out of which 5.29 crore women are willing to undertake additional work. *Out of these, about 1crore are willing to take up dairy as their preferred work over tailoring, poultry and spinning/weaving. Majority of these women who are inclined to initiate dairying as income generating activity belong to lower income strata and face significant entry barriers.* However, the potential for additional employment generation, especially among women, and incremental milk production are substantial.

Friends, our analysis reveal that a significant proportion of rural consumers of milk source their milk from “purchases”- - numerically rural milk purchasers out number milk producers by 2 times. Some states of Tamil Nadu, Kerala, AP, Maharashtra and West Bengal there are more “rural purchasers of milk” than “rural milk producers”. **This has strong implication for**

exploring opportunities for rural marketing of milk in the organized sector -- something that has been successfully done in Gujarat.

Milk has always played a critical role in addressing hunger and malnutrition. When we turn our attention to what difference does it make when a family is “with” and “without milk production”, we observe big differences in milk consumption pattern. Given that other attributes remaining unchanged between milk producing and non- milk producing family, the per capita consumption of milk rises 3 times in the milk producing family. The incremental milk intake is far more relevant in the poor and marginal producer category (per capita intake is higher by 4 times), because otherwise, these families would have gone by without milk, raising nutritional insecurity. *This diversity is not seen in any other items in the consumption basket including cereal, pulses and edible oil.*

In India, structure and composition of agricultural GDP has changed over the years. About three- fourths of the agriculture GDP now is contributed by High Value Agriculture which includes milk and dairy products besides fruit and vegetables, while about 3-4 decades ago, 75% of the agricultural GDP was from cereals. *It is now found that 75% of the food expenditure is towards High Value Agricultural crops including milk and dairy products.*

We see that number of cultivator population is reducing in our country even as landless household and agricultural labour population is rising, average land holding per owner shrinking, urbanization is increasing and structure of agricultural production shifting from cereal to high value crops.

Government initiatives impacting structure of future production

The Government with its renewed focus on urbanization has announced a slew of measures for improving the current urban landscape of the country and building new ones. This is quite evident from the announced big ticket projects of *100 Smart Cities* and *Housing for all*. These initiatives will create huge employment opportunities in non- farm and non-service sectors, the two sectors that could provide major employment opportunities under skill India initiative. On the flip side, this would also lead to decline in the number of agri-producers, as is evident from the latest census which reported a drop in number of farmers in the country by a staggering 9 million during 2001 and 2011, meaning that there would be lesser hands to produce and more mouths to feed. Increasing productivity of our milch animals through appropriate technology, innovation and their implementation will be the only alternative. NDDB is implementing National Dairy Plan Phase I (NDP I) which is a scientifically planned multi-state initiative to increase productivity of milch animals and thereby increase milk production to meet the rapidly growing demand for milk through scientific breeding and feeding and to provide rural milk producers with greater access to the organised milk processing sector. Under NDP, NDDB has strengthened A & B grade semen stations to produce disease free quality semen from the high genetic merit bulls. These are evaluated through scientifically planned program to determine the best bulls & the semen of such bulls is used to produce off springs. The semen doses then produced will be used for AI improving the genetic potential of animals maintained by the farmers.

Ration Balancing Programme (RBP) is being implemented across eighteen states to educate milk producers so that they feed balanced ration to their milch animals for producing milk commensurate with the genetic potential. *About 17000 Local Resource Persons (LRPs) are providing balanced ration advisory services to 10 lakh farmers in 19000 villages for their 13 lakh milch animals using INAPH (Information Network for Animal Productivity and Health) software. Feedback received from a large number of samples indicate a cost advantage of Rs.15-20 per day per animal.*

In its bid to support the *Digital India* initiative of the Government, NDDB recently launched an Android based application named “*Pashu Poshan*” through which a dairy farmer can know the correct quantity and mix of the feed and fodder to be fed to the milch animals. It helps the farmers in providing a balanced diet to their milch animals thereby saving the costs and also improving productivity of the milch animals.

Unexplored potential of the East

As is true with other sectors, dairying also has not progressed uniformly in all the regions. Eastern Region of the country needs special attention as it seems to be lagging behind in dairying as compared to some of the progressive dairying states such as Punjab, Gujarat and Karnataka. This situation also presents a unique opportunity to us as the Eastern Region seems to be the one which can contribute heavily in accelerating milk production. Fortunately, this can be achieved as the eastern region of the country is better resource endowed in terms of availability of water, fertile soil and man-power. *I envisage that the next Dairy Revolution in India will come from eastern part of our country.*

Lessons for future

Notwithstanding the bottleneck currently faced by the industry I am of the view that we need to prepare our programs with a longer term vision. We have a population of 1.25 billion to feed and meeting their diversified and increasing demand is our national priority. Milk production therefore needs to respond to future needs so that milk is made available at affordable rate and accessible to all.

In our future endeavor of producing more milk, we should not forget that the interests of the farmers should not be undermined. It is in this direction NDDDB through the dairy cooperative institutions and in the social media has been spearheading a campaign of “Farmers First” to educate the consumers about the value provided by dairy cooperatives to farmers. We believe that issues involving the milk producers can only be achieved when the interests of the farmers are safeguarded and they are provided with a sustainable ecosystem to produce milk. *I see a disturbing trend of over centralization and bureaucratization of state cooperatives coupled with somewhat lax and indifferent governance systems often insensitive to farmers’ interests. This needs to change and change immediately.*

Around 85% of rural women are engaged in livestock rearing and agriculture related activities. In villages, it is women who care for, feed and milk the animals. However, in most instances, their contribution never gets highlighted. Raising their participation is essential to the long term strength of dairy cooperative movement. We need to reach-out to them as they can far better carry the message of breeding, feeding

and veterinary care. *In this reference NDDB has launched an ambitious program of enrolling 2.5 million women as new members of dairy cooperatives in the next 10 years. Payments directly to women through their bank account will ensure economic freedom for our women and result in more equitable social and economic growth.*

NDDB and DD Kisan launched a partnership to create meaningful content for the farm and dairy sector to take them to new heights. An MoU was signed for dissemination of up-to-date technical know-how to the farmers; improve their livelihood and income by enhancing their knowledge and information on various technical issues related to farming in broader sense.

The need for modernization and expansion of the dairy processing infrastructure cannot be overlooked. The cooperatives are not able to undertake large capital investment for creation of additional capacities and modernizing the plants that were created some 3-4 decades ago. Therefore, investible capital on a soft lending term needs to be made available, which is the urgent need of the cooperatives. This is an area which requires urgent consideration.

The structure of milk production is likely to change. Our milk producers will increasingly adopt new technologies in milk production. Unlike in the past, availability of labour in the rural areas for milk production is becoming an issue. Use of hired labour would require a minimum scale in production. Alternatively, small farmer friendly machines may come in to play. It is our view that characteristics of India's milk production will undergo transformation in a manner that even within the smallholder production systems, improvisation through adoption of modern technology will become prominent.

There are some who argue in favour of duty free imports of milk and milk products to provide cheaper options to consumers. We have to be extremely cautious and sensitive in taking this route since we may end up destroying the economic and social fabric, we have so assiduously nurtured so far. While there is no case for over protection through tariffs and NTBs, a strong case for protecting the livelihood for our farmers exists even today. Let us, in the Dairy sector resolve to act in a manner that supports "*Farmers First*" in letter and spirit.

Thank you



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