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Problems and Prospects of Milk Cooperatives in Kerala

Almost all villages have been covered with the cooperative milk production and marketing network in the state of Kerala. What are the problems and prospects of milk cooperatives in the state?

DR. G. VEERAKUMARAN*

Setting

The growth and development of the animal husbandry sector in Kerala in the last three decades has been spectacular and inimitable. Livestock development has become a vital factor in the economic development of rural areas of Kerala. The state has a diverse livestock wealth. Among all, rearing milch animals by the farmers and landless labourers to earn their livelihood deserves a special mention. Almost all villages have been covered with the cooperative milk production and marketing network. In the state of Kerala, as of 31st March 2008, 2702 primary Milk Producers Cooperative Societies were in operation with the membership of 7.78 lakhs. The milk cooperatives in Kerala are functioning with three-tier structure. Primary cooperatives are affiliated to three Regional

* Department of Cooperative Management, College of Cooperation, Banking and Management, Kerala Agricultural University, KAU Post-680656, Email:

govindarajveerakumaran@gmail.com



Cooperative Milk Produces Unions. The apex institution is Kerala Co-operative Milk Marketing Federation (KCMMF), popularly called milma was established in April, 1980 with its Head Office at Thiruvananthapuram. The main mandate of Milma is to successfully implementing the Operation Flood (a dairy programme launched in 1970 under the aegis of National Dairy Development Board (NDDB).

The individual milk producers and the institutional cooperative network in Kerala are facing many problems though there are prospects for the industry. This paper attempts to highlight mainly the problems faced by the cooperatives and its member producers. The prospects of the sector have also been evolved from the

discussion. In addition to the secondary data used in this paper, the author has conducted focus group discussion with the milk producers of a primary cooperative society at Panancherry Panchayat, Thrissur district, Kerala. The variables considered for the discussion are procurement enhancement activities such as supply of cattle feed, veterinary health care, animal breeding, procurement and market price of milk and milk products, availability of fodder and grazing land, extension education, structural and operational problems of the primary cooperatives, risk management options, role of competitors in procurement and marketing and value addition in the entire supply chain.

Problems of Milk Cooperatives in Kerala

1. Escalating Cost of Production

Mostly milk producers in Kerala are landless agricultural labourers or small and marginal farmers. Mushrooming growth of commercial ventures and connivance of real estate mafia caused land alienation of the hitherto farmers. Of late with the

small plot of land rearing one or two milch animals becomes a herculean task. These are the following factors that adversely influence the cost of milk production:

- Absence of grazing land and fodder cultivation: Though the Dairy Development Board encourages the farmers to raise fodder by supplying seeds and cultivation subsidy of Rs.6/- per cent of land, the result is not significant.
- Scarcity of dry grass/paddy straws: As of 1st October 2008, 1 kilogram of dry paddy straw costs Rs.16/-, which was just one rupee ten years before.
- Every increasing cost of cattle feed: The MILMA is not in a position to supply cattle feed in time and the quantity required for fair price. Hence, the primary milk cooperatives are forced to buy from other suppliers like Kerala Feeds. The one-kilogram pellet costs Rs.12.60, which is just Rs2.10 more than the milk procurement (3.5 fat and 8.5 SNF) price.
- Animal Health Care: The MILMA stopped extending veterinary assistance after the Operation Flood Programme was withdrawn. Now the farmers are dependents to the government animal health centres or the private Veterinary clinics. The efficiency of government machinery in

serving the entire farming community is still a big question. Many times the farmers are to get artificial insemination on payment of high fee.

- Risk Management: MILMA, Government of Kerala and other agencies are providing insurance coverage for the milch animals. However, the cost of insurance reaches up to 3.5 percent. The Government of Kerala, Animal Husbandry Department is extending insurance at the annual rate of Rs.175/- for animal worth of Rs.15000/-, and that too to the people below the poverty line.

2. **Occupational Mobility**

Rearing milch animals is the business of octogenarians and septuagenarians. The present generation is not showing interest to take up this, as a means of livelihood. The manual workers in Kerala are enjoying self-esteem and are paid Rs.300/- in a day which forces them to ignore milk farming. Since rearing milch animals is not considered to be the respectable way of life, the farmers who are currently engaged in milk production are also of the opinion that their children should scale higher social order. The feudal social system in Kerala has withered away and occupational mobility is order of the day.

3. **Structural and Operational setbacks:**

The federal three-tier structure of the milk cooperative

sector in Kerala needs a strong review and revamping its mission and vision. The primary cooperatives are forced to supply milk at the rate fixed by the government. The democratic framework of the sector ought to have the power to take decision on pricing lost its hold and the government influenced by the political bigwigs takes decisions to lull the vote bank.

As of 1st October 2008, the customer sales price of (3.5 % Fat and 8.5%SNF) milk per liter was Rs.22/-, which was procured at the rate Rs.14.70/- The farming community started developing mistrust in the administration and lost faith in the federal structure, The producers firmly believe that the Unions are not oriented towards producers and they are operating as private companies. Over a period of time the professionalism expected from the Operation Flood has been eroded and the structure is a white elephant now.

Prospects of Milk Cooperatives in Kerala

Though there are quite good number of problems and issues which have been discussed above, the sector is having high prospects because of the following reasons :

- ◆ *Transformation of Homestead farming to commercial farming:* In the selected Panancherry Milk Producers Cooperative Society, within ten years (1997-98 to 2007-08) the active members have fallen down from 124 to 60

Trainees of the 3rd ICA–Japan Training Course visit NCUI



Shri Bhagwati Prasad, Chief Executive and Executive Director of NCUI along with the ICA-AP & IFFCO–FMDI officials with the Trainees on their visit to NCUI on January 21, 2009.

The 12 participants from 9 Asian countries viz. Cambodia, China, India, Indonesia, Iran, Malaysia,

Myanmar, Nepal and Vietnam of the 3rd ICA - Japan Training Programme on "Enhancement of Farmer's income and Poverty

reduction through Cooperatives" along with the Programme Advisor of ICA - AP and Coordinator of IFFCO -FMDI visited NCUI on 21st January 2009. The Chief Executive, NCUI welcomed every body and mentioned about the importance of such training programme for the development of cooperatives in the region. He also discussed about various problems faced by the cooperatives. He further said that joint efforts are being made by NCUI, Government of India and other cooperative organization to solve these problems. The Executive Director, NCUI made a detailed presentation on Indian cooperative movement and developmental role of NCUI.

and the average milk procurement from 1240 LPD to 613LPD. However, the village is currently witnessing emergence of commercial milk farms. Since there are no major competitors playing adverse role to the milk cooperatives, they started pouring in milk.

Policy Implications

The author comes up with the following prescriptions for the maladies discussed above:

1. There is a demand always

for increasing the procurement price. However, the cattle feed manufacturers are very shrewd and have been increasing the price proportionately. Ultimately increasing procurement price makes no difference in the income of the producer. Hence, subsidising the cattle feed price through the cooperative sector is warranted.

2. In Kerala raw materials for the production of cattle

feed is imported from neighbouring states. Due to the increase in labour charges particularly for loading and unloading, the price of cattle feed is also increasing. Instead if it is imported as a finished product we need to incur only the unloading charges. Considering the labour shortage in the state this suggestion is not against the interest of the organised labour movement in the state.

3. Increase in sales price of

<p>milk and milk products have very limited impact on the farmers' wallets. Lion share of the spread goes to the unions and federations. Hence, there must be a standard formula to share the income at all levels of the federal structure generated through sales.</p> <p>4. Animal Health care needs to be strengthened with the support of Animal Husbandry Department particularly on artificial</p>	<p>Insemination and extension activities for hygienic milk production practices.</p> <p>5. In Kerala competition to the cooperative sector is very limited and could be strengthened to serve the people better if immediate serious review at the state level takes place.</p> <p>6. It is not advisable to have top down approach to implement certain plans, which are economically not viable. By involving in the</p>	<p>cluster chilling plant establishment many primary cooperatives have burned their fingers. The government should have need-based decentralised planning and execution.</p> <p>7. There must be a strong milch animal insurance network under the aegis of Animal Husbandry Department.</p> <p>8. The government should otherwise seriously think of decontrolling the milk price. ■</p>
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NATIONAL CENTRE FOR COOPERATIVE EDUCATION TRAINING PROGRAMMES

National Centre for Cooperative Education has scheduled the following programmes in the month of May, 2009.

1. Programme on Cooperation and Cooperative Management for the Personnel of IFFCO Plant, Aonla (U.P.) from 5 –7 May, 2009 at Indian Farmers Fertiliser Cooperative Ltd. IFFCO Plant, Aonla Unit, P.O. IFFCO Township, Paul Pothan Nagar, Bareilly-243403 (Uttar Pradesh).
2. Leadership Development Programme for Chairmen/Directors of Urban Cooperative Banks in Northern States from 12–14 May, 2009 at Regional Institute of Cooperative Management, Sector 32–C, Chandigarh-160030
3. Leadership Development Programme for Chairpersons/Women Directors of Distt. Level Cooperatives in Andhra Pradesh State from 12–14 May, 2009 at Institute of Cooperative Management, P.B. No. 8, Rajendranagar, Hyderabad-500030 (A.P.).
4. Leadership Development Programme for Chairpersons/Women Directors of Cooperatives in India from 19–21 May, 2009 at National Centre for Cooperative Education (NCCE), 3, Siri Institutional Area, August Kranti Marg, New Delhi-110016
5. Refresher Course for Faculty Members of JTC in Tamil Nadu/Pondicherry from 27–29 May, 2009 at Natesan Institute of Cooperative Management, 2377—A, West Annanagar, Chennai-600040 (Tamil Nadu).
6. Leadership Development Programme for the elected Directors of Cooperative Banks in Rajasthan State from 27–29 May, 2009 at Institute of Cooperative Management, Block—A, Jhalana Dungari, Near Doordarshan Kendra, Jaipur-302004 (Rajasthan).

The nominations may please be sent to the **Senior Consultant, National Centre for Cooperative Education, 3, Siri Institutional Area, August Kranti Marg, New Delhi-110 016 (Telefax : 26528798)** or to the **Regional Director/Principal of the concerned RICM/ICM.**