

# Impact of liberalization on Dairy cooperatives of West Bengal

M. K. Mandal, Anita Roy Choudhary, K.K.Kalra, G. Das, B. Roy, S. Ghosh and S.Koley

College of Veterinary Science & Animal Husbandry

MPPCVVV, Kuthuliya, Rewa-486001

## Introduction

Dairy development in India has made a tremendous progress with the establishment of dairy co-operative which is most suitable instrument for planned development of dairy. Dairy co-operatives have been functioning in India since 1912. But its movement became faster with initiation of operation flood since 1970. The co-operatives offer a relief to the millions of small and marginal farmers by removing them from clutches of exploitative vendors and to the rural and urban masses to get quality milk and milk product at reasonable price. It provides extension, milk procurement, processing and marketing facilities for dairy development.

In 1991, New Economic Policy came into existence. The winds of economic change blowing in the wake of Liberalization started affecting the base of co-operative movement in India as the basic role of the dairy co-operatives was to provide social benefits. They were established not with the main purpose of profit motives. Making country open to the world market cleared the way for private sector encroach upon the Indian dairy scene on larger scales. The multinational and overseas companies, along with small private dairy farm, started mushrooming into the whole sector with sole intention of making profit. By hook or crook, these plants increase their procurement and snatch the milk from the well developed milk shed areas of the co-operatives. The large private dairies created a challenge to co-operatives. To compete with powerful private sector and to continue the socio-economic developmental role according to their social motto, they are naturally required to be economically sound. If they are to survive or grow, they must change their strategies to adopt themselves to the changing economic scenario. In this era, they have to compete with the private, public and fellow dairy co-operatives. They must prove themselves fittest or they face to their threat of existence.

## Dairy Scenario in West Bengal

The scene of dairy co-operatives in West Bengal cannot be different from the fellow co-operative federations from other parts of the country. The time span of more than a decade has elapsed since the onset of liberalization in our country.

West Bengal is a state in the eastern India. Milk production in this state has been improving considerably due to the efforts of the Operation Flood Projects. But the per capita availability is far below (138 gm/d) from the other improved States like Haryana (600 gm/d) and Punjab (800 gm/d). The main reason behind this is lack of high milk producing milch animals. Most of the animals in West Bengal are Zebu cattle i.e. non descriptive cow whose productivity is very low. In order to improve the productivity of Bengal desi cow, Artificial insemination with frozen semen of quality breeds is being extensively carried out. The entire breedable cow population in the state is being tried to be brought under the coverage of AI at the Gram Panchayat (GP) level. Moreover co-operative unions are also responsible for performing AI under their care. They also supply feed, fodder seeds etc. to the beneficiary farmers which in turn help to improve the milk production of the state. During 2000-2001, 8.55 lakh AI were done and 2.73 lakh cross bred calves were born, of which about 1.33 lakh were cross breed female calves. Co-operative performed nearly 32% of this operation. Milk unions have the responsibility to carry out AI work. Under the federation there were new scheme, which supply assured liquid nitrogen at the doorstep at reasonable price.

The State Govt. is providing animal health care upto the level of Gram Panchayat through 110 State Vety. Hospitals, 612 Animal Block Healthcare Centres, 3274 Vety First-aid Centre. The State is not only sufficient in vaccine production but also supplies vaccine to the neighbouring States. In 2000-2001 total vaccine produced in the state was 169.22 lakh doses. The supervisors of co-operative unions also provide veterinary first-aid to the members. The statistics showed the significant contribution of Dairy Co-operative of West Bengal in providing the necessary facilities for improvement of dairying.

## West Bengal co-operative milk producers' federation limited

Milk co-operatives play a key role in the dairy development of

the State. They were established according to the Anand pattern. The West Bengal Co-operative Milk Producers Federation Limited popularly known as BENMILK is the apex body of milk co-operative at the state level. Under BENMILK, there are fourteen Milk Producers' Co-operative Unions working at district level and 2173 Milk Producers' Co-operative Societies are working at village level. These co-operative societies act as a protective cover for millions of landless farmers who constitute 50.72% of total Agricultural Labour forces who otherwise would be exploited by the rich economic power of village economy.

The huge network of BENMILK procured large chunk of milk i.e. on an average 269900 LPD milk from 2173 co-operative society. The milk co-operative directly attached with 152165 farmer members who harvested triple benefit of nutritive food, productive employment and supplementary income. Most of the procured milk was supplied to the State Govt. Dairy Plants, Mother Dairy or Metro Dairy, which were a joint venture of West Bengal Govt., BENMILK (49% share) and private investor (51%). Mother Dairy and Metro Dairy have been supplying 4.54 LLPD and 2.25 LLPD of milk respectively

## POINTS TO PONDER

to the consumer around Kolkata only. These organization along with BENMILK also serve the consumer by saving them from exploitative middlemen supplying them quality milk and milk product at a reasonable price.

### **West Bengal Dairy co-operative unions**

There are 14 milk co-operative unions working under 'BENMILK'. The performance of unions under this Federation showed a steady improvement. The milk procurement almost doubled during early 1990s. But the growth rate of procurement decreased slightly in late 90s. Marketing strategy for the unions started changing as they started to advertise the product in local network and open some extra outlet. Federation entered into an agreement with M/s. Andhra Pradesh Dairy Development Co-operative Federation Ltd. in 1994 for marketing their entire range of product in West Bengal and north east. The arrangement mutually beneficial to both sister federation and yielded a good revenue to BENMILK. Federation of West Bengal indirectly is giving its domestic market at the disposal of the federation of Andhra Pradesh. Rather West Bengal federal should have produced its own value added products for harvesting the benefit from its market rather than selling its own raw material i.e. mil to the other plants.

### **West Bengal Milk producers co-operative society**

There are 2173 co-operative societies operating under 14 unions of BENMILK. They work at village level, procure milk from farmer member then send it to the chilling plant of union. One person among members is selected as Secretary and one member act as Milk Collector & Tester for which a meager incentive was given. Training camps were also organized by the society to train its members. Emphasize was given to train Secretaries, Testers, Managing Committee Members, AI and AH Workers, fodder training, health and legal training was given.

### **Impact of Liberalization on dairy co-operatives**

After analyzing the collected information from the various dairy co-operatives unions and dairy plants operating under West Bengal Co-operative Milk Production Federation Limited following impact was observed due to liberalization.

Liberalization, by and large, made negative impact on dairy co-operatives economy of West Bengal. It helped to improve capital but decreased the employment. It showed that the co-operatives in the line of other private enterprise started to rely on the machine power rather than on manpower. But, for its existence this may force the co-operatives to deviate from its original motto of serving the society. Liberalization left positive impact on throughput and gross income. But net income reduced as a result of Liberalization. IRR also reduced, which implies that even if rate of capital formation, gross income and throughput increased with time but marginal efficiency of capital decreased. Competition also reduced the capacity to pay back the investment. Even if Liberalization increased capital formation, annual gross income and throughput, the economic appraisal showed the decrease in the benefit which indicates increase in cost. It may be due to the fact that Liberalization created an awareness, enthusiasm and determination among the union. Thus a procurement network was revitalized, as seen by increase in throughput. Diversified products were made (increase gross income) and new markets were found out, sometime expansion of plants was also done. Investments were made to create sound base and increase capital formation. But as these were done after 1991, the gestation period of investment had not passed yet which increased cost substantially. Increased handling capacity led to a production below the full capacity which also increased the cost. Moreover, Non Performing Assets (NPAs) were also increased and more amount of money was spent in brand popularization, advertisement and rapport building. Some unions continue to run the extension and social service programme unabated which led to substantial increase in cost. Marketing sector was facing most serious problem due to Liberalization whereas processing section get the boost from the situation.

### **Suggestions**

Thus from the above facts and findings it can be suggested that-

- To compete private sector attacks, the co-operatives must strengthen themselves by injecting professionalism in their management as inefficiency would bring more burdens.
- They must make effort to reduce the costs of procurement, processing and marketing for their growth and increase efficiency in their operational process.
- Co-operatives must approach to Bank or NDDB with sound strategy to establish economically viable processing plant which in turn may increase revenue by providing value added product. Secondly the milk unions should produce value added products rather than selling their raw milk to other plants.
- They must try to harvest the benefit of Liberalization by increasing quality standards and sanitary measures to tap the export potential.
- Framing of suitable government policy will help to take the advantage of
- Liberalization.

--o0o--