

THE INDIAN MILK PROBLEM

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FORUM OF FREE ENTERPRISE

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"People must come to accept private enterprise not as a necessary evil, but as an affirmative good."

—EUGENE BLACK

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D. N. KHURODY*

India possesses about a fourth of world's cattle. But as producers of milk, they are extremely poor. So we produce only about 5 per cent of world's milk. Cattle are kept almost everywhere in the country as they form an integral part of Indian agriculture. So far as cows are concerned, they form a part of the Indian culture itself.

Being ruminants, they efficiently convert dry or green grasses, coarse fodder and by-products of crops (unsuitable for human consumption) into milk or work. They produce manure, but only a part of it goes back to the land. It is also used as fuel in most of the rural kitchens, where 80 per cent of our population lives. It is the only source available for the purpose. Production of gas from cow-dung has not progressed.

A large number of cows are kept for production of bullocks for work and the calf is generally allowed to suckle the mother throughout the lactation of 4 to 5 months. Such cows are rarely or partly milked. But without the bullocks, our agriculture and primary transport can come to a standstill. As many as 34 million pairs of oxen and

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3 million pairs of male-buffaloes are used for ploughing and transport.

The Royal Commission on Agriculture, headed by late Lord Linlithgow, amongst other things, said in 1928 that "the cow and the working bullock were carrying on their patient back, the entire structure of Indian agriculture".

At a nominal price, the value of Indian cattle-wealth is estimated to be about Rs. 6,000 crores. The value of milk, cattle-labour, dung, beef, hides, bones etc. amount to over Rs. 7,000 crores, per annum. This is about half of the total agricultural income and a quarter of the net national income of India.

Although our cows and she-buffaloes produce about 175 kg. and 500 kg. of milk per annum, per animal, respectively (against some 3,000 kg. in some of the dairying countries abroad), because of their great numbers, we are the fifth as producers of milk in the world. The four countries ahead of us are: The USSR with 41.5 million cows produces 81.6 million tonnes of milk per annum; USA with only 14.5 million cows produces 53 million tonnes; France with 8.6 million cows produces 30.4 million tonnes, and West Germany with only 5.8 million cows produces 22 million tonnes of milk annually. We produce about the same quantity as West Germany, but for this we maintain 54 million cows and 26 million buffaloes. We have more dairy animals than all these countries put together.

There are many reasons for the low yields of our animals; religious also. But the main is that we have grossly inadequate supply of fodder and feeds for the number of heads the country carries. In some areas, during the summer months, they have to walk many miles even for a drink of water once a day. Indeed, it is almost the same story as with human beings. There is really no immediate solution for either. But it is clear that in our overall planning, the animals do not receive a high priority. In fact, dairying is not a priority industry at all.

There is one other factor which is gradually reducing

the availability of milk. It is that the human beings in India are growing at a faster rate than the dairy cattle. Cattle and buffaloes of all ages increased from 227 million in 1961 to 229 million in 1966, or by less than 0.9 per cent in five years. But during the same period, our human population increased from 442 million to 499 million, or by 12.7 per cent. Leave aside their productivity which has not improved, if the cattle numbers themselves are not keeping pace with that of the humans, we can only expect milk to be scarce, year after year.

Although actual statistics are not available (there is no arrangement for maintaining these), there are reasons to believe that due to various causes, the dairy quality of our cattle is getting reduced. This further adds to the scarcity and one can say that although the *per capita* demand for milk and products may be increased both in the rural and urban areas (due to improved purchasing power), the supply is getting less and less.

Milk in this country has been expensive. It has been a luxury for many. In recent years, because the costs of all inputs that go into producing it have gone up several times, milk has become even more expensive. It also goes without saying that when any commodity is in short supply and its price is high, there is greater temptation to adulterate it, to somehow bring down its price ostensibly and increase the quantity. In short, milk production cannot remain unaffected quantity-wise, price-wise, or quality-wise from the inflation and scarcity of all other items in the country.

Here I should add and say that this position (scarcity and high prices) has manifested itself in dairying countries abroad also. There are now no more surpluses of butter or of milk powder to give away, as was the case a few years ago. But in their case, they have not allowed the quality to suffer. This is unthinkable in Western countries.

State Governments and the Government of India have taken some measures to improve dairying, but by and large the expenditure of some Rs. 82 crores during the 18 years between 1951 and 1969 has been largely incurred on collection, transport, processing and distribution of

existing milk. Even then it forms only 0.3 per cent of the total Plan expenditure of Rs. 21,889 crores, in the country as a whole, during the period. What can be expected with 0.3 per cent? But it does show how very little importance has been paid to this vital subject. Even if expenditure on Animal Husbandry is included, the total is only 0.7 per cent, against their contribution of 25 per cent to the national income of India.

In the case of one of the major programmes for increasing the production of milk, viz. the Intensive Cattle Development Projects, since they started some 8 or 10 years ago in different States, some Rs. 14 crores have been spent. But no authentic information is available as to how much extra milk has been produced as a result of this expenditure and efforts.

Even when loans are given to producers to help them to keep up the supply to the milk schemes, it is specifically mentioned that the money should be used on purchasing additional milking animals. This only means a transfer of a few thousand buffaloes or cows from non milk-collecting areas to the milk collection ones. In other words, all these years we have been only shifting the milk from one pan of the scale, to the other. This does not increase the national production. Extra milk can be had only if a few million select female calves were properly reared to maturity each year. So far, there are only proposals to do this. However, I am not trying to simplify the problem.

In a country of the size of India, and with all the complexities and constraints we have, the task of increasing milk production is not easy. It is also expensive and slow. Millions of small owners and cattle are involved. One should also not make a comparison between increase in agricultural production and increase in milk production.

A crop takes only 100 to 120 days between sowing and harvesting. Higher yields are had with better seeds, adequate use of fertilisers, irrigation and crop protection from disease, pests and stray cattle. In the case of milk production it is quite different and it may take more than

1,000 days to produce a few litres of milk. Let me illustrate this point:

Any pregnant cow or buffalo, during her last 2 or 3 months of pregnancy, when she is usually dry and does not earn anything for herself, has to be fed properly to enable a thrifty calf to be born, and to have a good start in the next lactation. Most farmers are unable to do this as they just do not have the means.

When the calf is born, at best, there is only a 50 : 50 chance to have a female—our future cow. In the case of the male calves of buffalo, there may even be a problem of their disposal as they are not used so extensively for work. Then we start rearing the female calf, and it is a highly capital intensive venture. It will have to be fed more and more everyday, over a 1,000 days, before it grows into a heifer, conceives and remains pregnant for about 9 months. Upon calving she becomes a cow and starts producing a few litres of milk—may be 5, may be 10, a day. The round figure of a 1,000 days is used just for convenience, which is equal to 2 years and 9 months. Actually, few Indian cow and buffalo heifers, calve at that age. It is more like 3 years and 6 months, or 1,275 days, and the expense of rearing a calf to maturity these days is well over Rs. 1,500, even in the villages. If there is any mortality, then the cost of the surviving ones will be higher.

This puts us in the correct perspective to judge the hollowness of the claim made in some quarters that having achieved the “Green Revolution” (which no doubt has been the case with wheat), the country is now on the way to achieve the “White Revolution” with milk. Apart from Government’s difficulties on finance, manpower, supervision and administration, there is a limit to taxpayer’s money to be spent on producing an extra litre of milk. And we want millions of tonnes of more milk.

There are also certain inherent genetical limitations in our dairy animals. Barring a few breeds of cows which cover a small percentage of their total population, bulk of our cows have been bred for hundreds of years only to produce strong oxen or bullocks for draft. Apparently, the genetic characteristics of draft and milk are not the

same. If it were not so, then with the draft qualities, the dairy qualities would have also improved in the females. But they have not.

Hence we hear these days of Cross Breeding Programmes, i.e. crossing our Indian cows with bulls of exotic dairy breeds which come from high yielding cows, or use of their semen through artificial insemination. There is really nothing new in this. Nearly 100 years ago it was started in a small way by several Military Dairy Farms in India, some tea and coffee planters in the Nilgiris and Darjeeling, and some of the private dairy farms in the hills. Spectacular increases in milk yields in the first generation of daughters, by about 5 or 6 times to that of the mothers, have no doubt been obtained. But it is important to remember that the keeping of such animals has been confined to specialised dairy farms where fodder and feed resources, veterinary protection and management practices are of a very high order. Or the high yields have been reached with well to do farmers who have the necessary resources of feeding and looking after a few animals well of this type.

The reason again is simple. A cow will give only as much milk as you feed her and look after her problems of health and disease and management practices. In the country as a whole, we just do not have such favourable conditions. Unless, therefore, in some pockets or areas there are infallible and famine-proof arrangements to feed the cross-bred young stock and the cross-bred milking cows, all the estimates of producing more milk through this method may not materialise.

In the case of buffaloes, which have always been our main source of milk, ghee and mawa, we have the world's best breeds ourselves. Better genetic material is not available outside. Here the programme could be to cross the buffaloes in our southern and eastern areas which are poor producers of milk, with bulls of higher yielding breeds from the north. But the philosophy of better breeding, better veterinary aid and better management remains unchanged, whether it is a cow or a buffalo, a calf or an adult.

The problem boils down to one crucial necessity that we have first to improve our fodder and feed resource and other requirements and also build up proper reserves against bad years, which come frequently and more or less in constant cycle; otherwise, all efforts towards better breeding to produce more milk will not fructify, with or without cross-breeding.

We as a country should not therefore expect to have our milk production and consumption levels anywhere near the oft-quoted quantities of the West. We are told that our present *per capita* daily consumption of some 110 grams should be raised to 205 grams, of course keeping in view the constant increase in population. It is not certain, unless heavy subsidies are given, whether so much milk, if produced, will be sold. Only a few years ago, many milk schemes did not know what to do with the milk collected during the 2 or 3 peak months in winter.

Collection of milk, its transportation, quality control, processing and distribution present no difficulty whatsoever. We have now also enough capacity for making dairy machinery and equipment in the country itself. In fact, several existing plants are running much below their installed capacity.

The milk supply of the Greater Bombay area is a good case study of what can be done, and the problems facing urban milk supply scheme.

The first authentic report by a knowledgeable person on Bombay's Milk Supply was published in 1916 by late Dr. Lemuel L. Joshi, Municipal Analyst of Bombay Municipality. He had considered the conditions prevailing a few years earlier. In 1911, the population of the city was less than 10 lakhs, with 21,000 milch cattle kept within the city limits. No milk came from outside.

However, even then milk in Bombay was the most expensive in the country. Whereas it was only 2 annas (12 paise) per seer of 32 ozs. elsewhere, it was 3 annas (18 paise) per seer of 24 ozs. in Bombay. It is now over Rs. 3.50 per litre here, and in Delhi it is Rs. 3.00. Adulteration with water then ranged from 5 to 50 per cent

in market milk, but in this aspect, there has been little change. Against Rs. 150 as the price of a good upcountry buffalo landed in Bombay, the present price is over Rs. 3,500. Wages of a cattle attendant used to be Rs. 10 or Rs. 12 per month. He has now to be paid Rs. 175. The daily *per capita* consumption of fluid milk in 1915 at 4.33 ozs. (121 grams) has remained about the same.

The main difference perhaps is that in those days a greater percentage of the city's population could get milk as such or use it in tea, and the demand was generally satisfied. At present it is far from being so. Even if there was 50 per cent more milk, the present demand would remain unsatisfied. But milk of different grades and at lower prices will have to be made available, or there may be difficulty in selling it at the present high prices.

There are six sources of milk supply to the city. The largest quantity comes from the private cattle kept inside the Greater Bombay area and just outside it. The second source of bulk supply is from Anand (Gujarat). The third is from the Aarey Milk Colony. A couple of years ago, this used to be the second important source. The fourth source is from the Government dairies set up in Maharashtra. The fifth source at present (somewhat temporary) is through imported ingredients (skim milk and butter oil) which are constituted into fluid milk and sold by the Government Milk Scheme. The sixth and the last source (or perhaps the first), is the municipal water tap! I will now deal with each of these separately:

The private milk trade: This is the most extensive, potential and a steady source which is really keeping the milk supply to the city going, under most difficult conditions. Since a large number of cattle are kept in unlicensed stables, no one really knows the exact number, but their number is estimated to be about 100,000. Permitting dairy animals to be kept in unlicensed stables is in itself a very unsatisfactory state of affairs and it is unpardonable that this should be the case in the premier city of the State.

The private trade, however, faces several serious problems. The prices of buffaloes have gone up very high

and, therefore, the production of milk has become even more capital intensive and risky than ever before.

Including the dry animals kept outside in the villages, this sector of the trade has invested over Rs. 20 crores in cattle alone. Yet it is in a somewhat disorganised state and it is really no one's concern to look after its interests or the problems it faces. There are, however, a few Associations of producers. Cattle feeds and hay prices have also increased 2 or 3 times in recent years, and are generally in short supply.

Since early April 1974, the Government of Gujarat has abruptly frozen thousands of dry buffaloes that were sent for salvaging from the Bombay stables to Gujarat, and has prevented their return for four months. If they calve there, the milk will remain there. This has put the entire milk production and replacement arrangements out of gear. Representations have been made, but no decision to give relief is forthcoming. In a way, it amounts to temporary expropriation of property and it was done without notice.

Whereas the Government here could not control the prices of the inputs that go into production of milk, it fixed the price of buffalo milk at Rs. 2.20 per litre, under the Defence of India Rules. It took several months to decontrol it after many representations. This has greatly harmed both the producers and the consumers. If the prices had been decontrolled even 3 months earlier, some new buffaloes may have been brought in by way of replacements, and there would not have been the present acute shortage. Perhaps the prices too would have been lower.

Anand Milk: This is the most dependable source both with regard to quality and quantity. Because the cost of production is less in the rural areas of Gujarat than the rural areas of Maharashtra, it is the cheapest milk Government can buy for the city. Only an occasional disruption in rail transport prevents it from coming into Bombay, in tankers. At present it supplies about 70,000 litres daily.

Aarey Milk Colony: As is known, it was established

by the erstwhile Government of Bombay and the first batch of city cattle moved in March 1949. The programme of removal of all the 16,000 buffaloes from the then city stables was completed uninterruptedly by early 1953. A few years later, production of milk stabilised at the rate of nearly 7 litres of milk, per animal, per day. The Colony produced daily from 100,000 to 112,000 litres of milk, containing a minimum 7 per cent fat. As far as is known, there was no herd of this size in the whole country housed and managed at one place, which had such high average yields and regular breeding frequency. Thousands of surplus male and female calves were reared up to a certain age, were purchased from the cattle owners under a subsidised scheme from the Government of India and were distributed free to the villages in Maharashtra and Mysore for producing more milk and for grading up local cattle. Thousands of buffaloes had been salvaged and purchases of new animals worth crores of rupees was avoided. There was a system of continuous review of the cost of production of milk of some 3,500 animals, and revision of the Government purchase price, upwards or downwards, as needed was possible at short notice. The cattle owners (licencees) were left with a reasonable profit on which they paid their taxes.

The licence fee and occupation charges levied on the licencees yielded to the Government adequate interest on the investment made on the Colony, enabled depreciation to be set aside and met all the overheads.

The Milk Scheme as a whole was run at a profit, year after year, even after distributing subsidised milk to some 35,000 families. But all this needed expert attention, checks and guidance, like in any other business. But even more important than this was that it kept up a continuous involvement of the licencees and their interest in the project. They had a heavy financial stake by way of their cattle and they were really the partners in the scheme. The health of the scheme itself depended upon their cooperation and the high performance of their respective herds. Indeed, there was a premium to get into the Colony and not a single cattle-standing out of over 16,000 was ever vacant. The project was a pride of

Maharashtra and of the country. But only a few years later, what do we find?

Each one of the above commendable features has disappeared. Neglect and inefficiency have neutralised all the previous plus-points. The continuous milk costing, which formed a scientific basis for revision of prices upwards or downwards at short notice, has been discontinued. The calf rearing and distribution scheme has been stopped.

The regular weekly meetings with the licencees, Minister in-charge and the Dairy Development Commissioner that were held for years together to decide upon their day-to-day problems (their annual turnover being Rs. 3 crores) were discontinued. Involvement of licencees and the department in the scheme has been narrowed down greatly and it now hardly exists. The scheme is operating at a heavy loss to the exchequer and the licencees. No one is happy and there is no pride in the project at any level. A local social club has been allowed to put up a huge wall close to the front main gate of the Colony on the Western Express Highway, from which it would appear that the Rs. 5 crore project belongs to the club, and not to the Government of Maharashtra.

Last September, after a strike of the licencees not to sell milk to the Government because the price then paid was causing them a continuous loss, the Government appointed a Price Revision Committee, at Ministerial level. It was to give its report in 3 months, but it took over 6 months to announce the revised price to the licencees. Further, on the one hand the price was raised by 40 paise per litre, and on the other, the prices of inputs like feeds, grass, occupation charge etc. were also raised substantially and it greatly neutralised the price increase. As a result, the cattle number has dwindled from 16,000 to 12,000 and many owners have left in disgust. The daily yield per buffalo has come down from 7 litres per day, to a little more than a litre, and the output has dropped from 112,000 litres to an unbelievable figure of 17,000 litres, per day. Each animal is earning daily just Rs. 1.50 per day gross! It is an utter loss to the owners and it is mounting up. Can there be anything worse than this?

It is a great pity that an important public utility project on which thousands of persons from the Ministers downwards had put in their best, on which so much money was spent and which was doing so well as a main source of good and regular milk to the city has come down to this state so soon.

The supply position of the milk scheme as a whole is so bad that the customers now just do not know what they will get. The dependability on the scheme for domestic milk is lost. Since a long time, consumers of Government Scheme have not had the pure buffalo milk.

What is surprising is that the Finance Department, the Legislature which voted the expenditure and keeps on doing so each year, the Public Accounts Committee of the Legislature or the Commercial Audit Section under the Accountant-General have not interested themselves to ask the Dairy or the Agriculture Department as to why the project has been reduced to this state.

Sporadic agitation by opposition parties at the milk centres has hardly helped to focus the attention to this grave neglect of a successful Government undertaking. Why is the Press so silent, when it affects the daily milk supply of millions of people in Bombay? If a complete closure and disgrace is to be avoided, immediate steps must be taken to correct the course.

Milk from Government dairies from Maharashtra State: These dairies collect milk in raw condition from the Cooperative Societies or Unions, process it and transport it to Bombay. Their interest ends there. Experience has shown that unless here also there is involvement of the producers in their respective projects, they will not grow. These projects should, therefore, be made independent and the dairies be handed over to the producers' societies or the Unions. Only then they will have interest in increasing production or collection of more milk. The entire dairy staff could be turned over to the Cooperatives and each unit should be made to operate as a profit centre. Most of them are operating at a loss, which the general taxpayer bears.

Imported ingredients for recombined milk: This is

the most undependable and uncommendable source of milk supply introduced for the last 4 years or so. It would have been a different matter if only skim milk powder (which could not be made cheaply in India) was obtained for the purpose of preparing Toned or Double Toned milk. Here, locally produced milk would have been used and its production would have been encouraged. Import of butter oil, to make recombined milk, does not help to produce more milk in the country. Further, it is also not appreciated by the consumers.

The theory that sale of cheap recombined milk will bring an economic pressure against the keeping of cattle in the city has not worked. Not a single animal from any of the four cities where it has been tried out has moved out. Instead, to meet the increasing demand, more cattle have been coming in all the time. The budgeted amount of rupees through sale of this milk have also not been generated. There is really no dearth of rupees as the country is spending many times the amount than what the imported milk powder and butter oil were expected to generate.

Addition of water to milk: Unfortunately, there are very few producers and distributors of milk who are keen to preserve their reputation gained for quality of their products over the years. Perhaps not more than 5 per cent of the volume of private milk would fall into this category. This group also gets the price it asks for, because of the confidence of customers in their milk.

Since most milk is sold loose, it has no identity. The taking of a few samples of milk per day by the municipality six days in a week against several lakhs of small portions of loose milk sold from hundreds of milk shops night and day, all the seven days of the week, does not make sense. In fact, it is the laxity in the enforcement of the Prevention of Food Adulteration Act by the Corporation that has helped to some extent the milk trade to make the two ends meet and remain in business. It is said that when the Government fixed the price of Rs. 2.20 per litre under the Defence of India Rules for the private milk trade, the quality suffered most, as there was no means to check it effectively. So it really did not help

the consumers, which was the aim of controlling the prices.

REMEDIAL MEASURES: Having described the background, I would like to stress that it would be a folly to minimise the difficulties of Governments in running Milk Schemes. Some of the problems, however, arise because they are operated by Governments. Except in India, perhaps nowhere else this is the case. Milk concerns, hundred times larger than ours (some with a turnover of Rs. 500 crores, per annum) are operated efficiently by Cooperatives, Shareholder companies or proprietary concerns. Even in India, we have the example of AMUL and private sector companies who operate their dairy projects much more efficiently. They certainly make profit; most Government Schemes run at a loss.

Protecting only the consumer's interest (which seems to be uppermost in Government's mind) by pegging down the producer's price of milk to an uneconomic level has harmed both, since there is no control on quality of milk, and the price of fodder, cattle feeds or the cattle themselves are not fixed. Last winter the production did not reach anywhere near the peak, which it used to do each year. When the price was decontrolled after several months of representation, it was too late and even at a higher price, neither the Government nor the private trade could retrieve the position.

If Government wanted to help at least the vulnerable group of consumers, such as the children, expectant and nursing mothers, they could have given them milk at a subsidised rate on special milk cards, and should have paid a fair price to the producers to keep up the supply. Indeed, this was done in Bombay during the last war.

At times, undue criticism is levied against the shortcomings of the Government Scheme which are bound to exist in some degree or other in any business. However, these are used by different parties as a political handle to whip the Government. When they attack a popular utility scheme like the Milk Scheme, it attracts greater attention. We have had a few examples of this in the recent past.

If there were abnormal shortages due to a number of reasons, the authorities should have taken prompt and extraordinary measures to see that the supply was not affected. That was the time to keep up the supply by paying incentive prices. But the Government did just the opposite. This could have been avoided if they had taken the producers, the licencees and the consumers into confidence, and the situation would not have been what it is today when there is little milk even after paying high prices.

The local milk trade, the licencees of the Milk Colony, the Milk Cooperatives in Maharashtra, the consumers of milk in Bombay and the Government authority must focus their attention and thinking towards the following:—

- (1) The supply of milk affects a fairly large proportion of the city's population, twice a day, whether it is supplied by Government or the private trade. The milk sales in the Bombay area exceed Rs. 40 crores per annum. It is a sizable industry and many thousands are employed in it. But there is no public opinion in the matter on such a vital item of our diet, particularly of children. Occasionally, no doubt one reads something about the milk supply in the papers, covering petty items like late delivery at a centre, not having adequate change, caps of the bottles being loose, etc.

The subject of prices, quantity, quality, mode of distribution, etc. are serious issues and should be discussed from time to time publicly. In this the Consumers Guidance Society must play a constructive role. At the same time, neither the consumers nor the producers should be allowed to develop a lobby of their own. Only joint efforts can resolve the local problem.

- (2) In connection with its own scheme, Government must revive the extremely useful Milk Consumers Advisory Committee which operated some years ago. It should also set up a Milk Producers' Committee for whole of Greater Bombay area, and may even include in it, members of the Cooperative

Societies supplying milk to Maharashtra dairies. There should also be joint meetings from time to time of the two, and they must be consulted by the Government whenever there is a major change in the milk supply arrangements. The meetings of the Committees should be open to the Press. At joint meetings, the two Chairmen should rotate.

A few months ago, there was utter confusion all over Bombay because neither the public nor the Press was taken into confidence at the time of revision of prices, composition of milk and the colour of the caps on the bottles. All this could have been avoided if there was a proper channel of communication. And it was so simple to do.

- (3) Experience has shown that the Government has only earned a bad name in recent years, in operating the Bombay Milk Scheme. It has itself to blame for it. However, it should seriously consider discontinuing the running of the Milk Scheme as a department. Instead, a joint sector Undertaking or Corporation should be set up, comprising of (i) the Government, (ii) all milk producers| Societies, and (iii) the public (consumers, at large) as its three equal groups of shareholders, capital-wise. It may be called the Maharashtra Milk Undertaking Ltd. and in due course, should cover the entire State. It is most important that its management must not vest in the Government, but in a Board of Directors, whose Chairman and Managing Director shall be independent and capable industrialist or businessmen|financier of known achievement and integrity. They should be assisted by a team of experts in different disciplines, who should be appointed on merit alone, either from the existing departmental experts or from outside. Further, the Undertaking shall not depend upon the Government for working finances. Its Articles of Association|Constitution shall have provision under which the Undertaking can raise its own resources and be run as any other successful public limited company, being responsible ultimately to the shareholders.

- (4) The main objectives and guidelines of the Maharashtra Milk Undertaking shall be somewhat as under:
- (i) To direct, control and supervise all Milk Schemes in the State, to ensure that they are run efficiently and in a businesslike manner. It is a must that they all run at a profit.
 - (ii) To arrange through proper agencies, the supply of all inputs needed by the producers at the cheapest possible rate.
 - (iii) To fix the purchase price of milk related to the quality, leaving the producers a reasonable margin of profit, to take care of all the livestock they possess.
 - (iv) To license the various dairies (Government, Cooperative and private), fix their quotas of milk to be handled, define procurement areas, fix processing and distribution charges and exercise control over their performance through the Undertaking's Inspectorate.
 - (v) To pull out of the morass the Aarey Milk Colony is in, and to restore its original production of 112,000 litres per day, as early as possible. Nothing should be spared to do this on a firm long-term basis and top-most priority should be given to this.
 - (vi) To aim at increasing the production of milk in the State by at least 5 per cent, per year.
 - (vii) To plan ahead and cover the entire requirements of milk for the Greater Bombay area in the course of next five years, with pasteurised and packaged milk, by licensing additional processing and distribution units. All facilities towards this should be extended.
 - (viii) To help in improvement of grass lands in Maharashtra, develop fodder production and its conservation, breeding of animals, rearing of calves, giving of veterinary cover and other assistance to the parties concerned, to produce more and cheaper milk. The Undertaking can obtain for this direct grants from the country's Five Year Plans, and be accountable for the expenditure and the progress.
 - (ix) To plan and prevent more cattle coming into the Bombay area and for the removal of existing numbers to better surroundings. It is understood Rs. 7 crores are available for the purpose with the Indian Dairy Corporation. But it is senseless to spend this amount if what exists in the city (the Aarey Milk Colony)

- is not first set right. No producer will move to the new project. (x) To have its own Inspectorate, to enforce control on quality of milk distributed in the Greater Bombay area, regardless of the agency which distributes it and to extend it to other cities. (xi) One-third of the authorised capital of the Undertaking should be obtained from private producers in the Greater Bombay area, the licencees of the Aarey Milk Colony and the Producers Cooperatives Unions supplying milk to the dairies of Maharashtra. This can be done on pro-rata basis, either on the number of milking animals owned or the quantity of milk produced daily.
- (xii) To give facilities to collect share money from the producers and licencees, from their milk bills through the licensed dairies or processers.
- (xiii) The Undertaking itself may or may not handle all the milk physically or directly (as the Government Dairy Department does at present). It may also operate through licensed dairies and control and assist them in every possible manner. In other words, its pattern shall be partly that of the Milk Marketing Board of England and partly of public limited company.
- (5) With a knowledgeable and well selected Board of Directors, with an acceptable Chairman and Managing Director, it should be possible to raise the equity capital through issue of shares. If the scheme is sound, there would be many agencies who would be prepared to underwrite/subscribe to the shares. As is done abroad, there is no reason why such a Company or Undertaking cannot pay through the licensed plants adequate prices to producers, pay their staff well and look after their welfare activities, supply milk and dairy products at reasonable prices to consumers, build up a Reserve and Depreciation Fund and also pay adequate dividends to the shareholders. There is also no reason why its shares cannot be quoted on the Stock Exchange, and financial institutions like the UTI and LIC may also buy them.

- (6) For the above purpose, it is a basic requirement that the entire fixed assets of the Dairy Development Department in Bombay and elsewhere should be worked out at an equitable price, by a firm of Chartered Auditors and Consultants, taking into account the original cost, depreciation, cost of repairs, maintenance etc. say on 1st April 1975, including all movable and immovable properties, and hardware like transport vehicles, tankers etc. This block shall form the basis of the size of the one-third share of the Government in the Undertaking, for which it shall receive shares of equal value. The remaining two-thirds shall be subscribed by the two groups, viz. (1) the producers, and (2) the general public, including banks, LIC, etc. in equal proportion.
- (7) If the Constitution of the newly formed Gujarat State Milk Marketing Federation so allows, it shall also be allotted an agreed block of shares. As the oldest supplier of milk to the Bombay Milk Scheme, it would be desirable to have on the board a representative of the Gujarat Federation, to make use of their experience in our rural areas. If this is not possible, then they shall continue as a reliable supplier of milk, on long-term basis.
- (8) A beginning can be made by the Milk Undertaking (a) with a thorough review of the Government owned milk collection, processing and distributing facilities in Bombay, to determine the price at which it can be acquired; (b) immediately negotiating with the Colony producers an equitable price of milk to revive the position and make it economical to keep good cattle at the Colony and to improve their yield. Indeed this should be done immediately even before the Undertaking is formed.

Actually, the idea of Government not operating the Scheme as a department was once discussed many years ago when I was in charge, but we never got anywhere. The revised thoughts, would of course need legal and financial scrutiny and may undergo changes. Some legislative measures will also be necessary for the changeover. But as a result of experience gained in operating the

Scheme myself for the first 18 years, and now watching it from a distance for the last 11 years, I am convinced that unless the Government disassociates itself completely from day-to-day buying, processing and distribution of milk (for which apparently it has many constraints) and if in its place it does not create a new democratic concept which will provide a positive sense of involvement and motivation amongst the producers and the public (consumers), there is little hope of expecting any improvement or expansion, or even preventing the existing miserable position from going down further.

The concept of the Milk Undertaking can be extended to other urban areas also, where with modifications to suit local conditions it can enable the public to get more good milk at reasonable price.

The views expressed in this booklet are not necessarily the views of the Forum of Free Enterprise.

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and shall survive as long as man
survives."**

**--A. D. SIMOFF
(1899-1965)**

**Founder-President,
Forum of Free Enterprise.**

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