CHAPTER II

HISTORICAL RETROSPECTIVE OF DAIRY INDUSTRY

Global Outlook of Dairy Development

Asian Dairy Scene

Asia produces only 20 per cent of the global milk production. Though it supports 60 per cent of the world population the formation of an Asian network would help optimal utilization of resources in the region.¹

In Asia milk production is fully integrated with crops like wheat, rice, millets, maize etc. Milk production in these countries is demand driven on the land, and production driven on the other.

Indian Context

India has the largest livestock population almost one fourth of world livestock population.² In the face of such huge livestock population, one would normally expect a large contribution to the national income. But in reality, it is not so. The contribution of

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animal husbandry along with dairying to the National income is quite poor, hardly a three-and-a-half per cent. Various factors are responsible for such a sorry state of affairs. The most important being,

1. Physical health of our livestock is very poor.
2. Neither the quantity nor the quality of feeds and fodder are upto the mark.
3. On account of increasing pressure on land the grazing lands are continuously dwindling.

Further, socio-economic conditions are also no less responsible.

India has emerged as the first largest producer of milk in the world, next only to the U.S. and aims to become the largest producer by the year 2000. The Indian per capita availability of milk has merely doubled over the past 20 years to 73 Kgs/year currently.

India has some 90 million farming families cultivating 140 million hectares and they rear some 90 million milk animals with a cropping intensity at 1.3, the average land holding is 2 hectares with a milk cow (or) buffaloes, nearly 35 per cent of milk production comes from buffaloes.
Feed and labour constitute essential inputs in the enterprise of livestock maintenance and dairying, labour, particularly family labour plays an important role in the maintenance of livestock. It hardly to be elucidated that in family labour, women labour plays an important role in the enterprise of livestock rearing and dairying. This is so because most of the women workers, particularly of cultivating households remain idle for most part of the year. In fact the dairy business in India is mostly carried on a very small scale.

At the macro level, the dairy scene in India looks bright and is steadily marching to prepare itself for the challenges in the 21st century. The spectacular progress of the dairy industry at large was much to enormous markets stimulus and technical inputs made table under programmes like operation flood. It set in motion in the white revolution which has been acclaimed all over the world for the flourishing state of the dairy industry.

In order to fulfill the promise of dairying, the accumulated knowledge and experience needs to be disseminated this leads to a rapid transfer of technology for adoption among the rural farming community.
CO-OPERATIVE MOVEMENT

The Genesis

The Constitution of India after recognising the role of co-operatives stipulates that the state shall endeavour to promote cottage industries on co-operative basis in rural areas. The Directive Principles of our Constitution stipulate that the ownership and control of material resources of the community are so distributed as to subserve the common good and that the operation of the economic system does not result in the concentration of wealth and means of production to the detriment of common people. The father of the Nation pleaded for moral standards in economics. The economic thought of Mahatma Gandhi preaches that the production is for satisfying the basic needs and not for profits. To put these ideals into practice in so far as decentralised dairies are concerned, the milk producers themselves have to undertake collectively the functions of production and distribution by owing the means of production. The suitable organisation is co-operative sector.
**Industrial Co-operatives**

INDUCOs, as popularly called stands for Industrial Co-operative. Broadly, Industrial co-operatives take two forms viz., productive societies, and service societies. Among the various categories of industrial co-operatives, dairy co-operatives constitute by far, the most important and the agro-based in the industrial co-operative structure.

It may be mentioned here that the organisation of industrial co-operatives to undertake productive activities took place in India by enacting co-operative societies (Amendment) Act, 1912, because the earlier Act of 1904, did not permit the formation of productive societies. Moreover, industrial co-operatives of production, purchase and sales type had, however, been in existence before 1912 in the country but insignificantly.

The Indian Industrial Commission as early as in 1918 first blessed and gave a distinctly co-operative bias to the cottage and small scale industries.

The Industrial Policy Resolution, 1956 spoke on industrial co-operatives "Many of the activities relating to small scale
production will be greatly helped by the organisation of industrial co-operatives.6

Definition of Industrial Co-operatives

The word 'Industrial Co-operatives' is not defined anywhere either in Andhra Pradesh Co-operative Societies Act, 1964 or in Central Co-operative Societies Act, 1912 or in Industrial Disputes Act, 1947. The industry in co-operative sector is not a new thing or separate as such but it is like industry in private sector and public sector. Except for the nature of ownership, composition and management there is nothing special to mention about them. In other words the industries in co-operative sector are simply called as industrial co-operatives.

The object of co-operative form of industrial organisation is to facilitate business by undertaking productive activities like the ones undertaken by public sector undertakings. But there is a difference between these three distinct forms of industrial sectors. In the case of industrial society, it is a voluntary association of particular group of people or of artisans of particular trade or occupation with the principles of promoting thrift, self-help and mutual aid.
In Andhra Pradesh Co-operative Societies Act, 1964 there is no preamble as such specifying the purpose of either society or industrial society. Presumably, because the said Act of 1964 is a re-enacting of earlier Acts. However, the purpose of the society can be understood by a reference to the Andhra Pradesh (Andhra area) Co-operative Societies Act, 1932 and the Co-operative Societies Act, 1912 (Central Act 2 of 1912).

Accordingly, the purpose of industrial co-operative society is to facilitate the formation and working of co-operative societies for the promotion of thrift, self-help and mutual aid among agriculturists, artisans and other persons with common economic needs so as to bring about better living, better business and better production.

The industrial aspect of this sector includes like that of any other industry outside the co-operative sector, such as economic character; the growth and development, financial institutions working for them, government support, marketing and industrial relations. The co-operative aspect of the study covers the application of co-operative principles, philosophy and the law governing the industrial setup. In fact that the industry and co-operation aspects are inter-linked with each other and one cannot be separated from the other in so far as the subject and scope of our study is concerned.
On the other hand the word 'industry' is defined in Section 2(i) of the Industrial Disputes Act. Accordingly 'industry' means any business, trade, undertaking, manufacture or calling of employees and includes any calling, service, employment, handicrafts, or industrial occupation and avocation of workmen. So industrial co-operatives are the registered institutions under the Act undertaking productive activities governed by the Andhra Pradesh Co-operative Societies Act, 1965, the Industrial Disputes Act, 1947, Factories Act, 1948, along the co-operative principles.

Productive Society

Rule 12(1) of Andhra Pradesh Co-operative Societies Rules, 1964, under its classification of societies defined 13 types of societies. Among them societies relating to industrial nature coming under the scope of our study are productive societies, processing societies and marketing societies. Rule 12(1)(i) has as its principal object the production of articles with the help of its members or through them and includes any society which has its principal object the provision of facilities for the operation of productive society.
Marketing Society

Rule 12(2)(g) defines a "Marketing Society" as a society which has as its principal object the arranging for marketing of the agricultural and other produce or products of its members or the undertaking of the distribution of commodities and includes any society which has as its principal object the provision of facilities for the operation of marketing society.

Taking into consideration the composition of membership of the society, the nature of the business activities handled by them and other similar matters the societies are divided into primary societies, central societies, and apex societies. The apex society is an organisation which has as its area of operation the entire state to which the primary societies are affiliated, whereas the central societies confine their area of operation to only a part of the state or more than one district. Thus industrial co-operative societies are federal in character and are in turn affiliated to state level and national level federations.

For instance in the district, dairy producer unions are there to which all the primary dairy producers co-operative societies
are affiliated. Similarly the co-operative milk dairies in the district are affiliated to the state level federation of co-operative dairies. The Andhra Pradesh Federation of Co-operative Dairy is state level federation which is in turn affiliated to the All India Federation of Co-operative Dairies.

Apex Society

Rule 12(5)(i) defines an apex society "apex societies means a society whose area of operation extends to the whole of the state and which has as its principal object the promotion of principal object and provision of facilities for the operation of other societies affiliated to it".

Central Society

According to Rule 12(5)(ii) "Central Society means a society whose area of operation is confined to a part of the state and which has as its principal object the promotion of the principal objects and the provision of facilities for the operations of other societies affiliated to it".
Rule 12 (5)(iii) states, "Primary Society means a society which is neither an apex nor a central society".

Thus the co-operative piece of legislation used the terms like "artisan" and "better business of production". The words "business of production" can be interpreted to mean the organisation of industrial societies also. In other words the broad classification of societies into credit and non-credit; the non-credit type of societies include industrial societies too. As a matter of fact the main purpose of Amendment Act, 1912 is to facilitate co-operative societies to undertake production and marketing.

The words industrial co-operative society mean an association of a number of industrial artisans voluntarily associated by themselves for some common purpose to promote by themselves their economic interest collectively. As there is no limit to the number of members it cannot be called a firm or a private company. The members can freely transfer their share in the capital of the society without the consent of the other members. When an
industrial society is registered under Co-operative Society Act, it becomes a legal person, separate and distinct from members.

An industrial co-operative society in its ordinary, non-technical sense means a body of individuals associated by themselves voluntarily for common object, actually clothed with legal personality. A society is a juristic commercial organisation, it never dies, the members may come and go but the society may go on forever. It is created by a process of law and can be put an end to only by a process of law of winding up and it will not in any way and manner be affected by insolvency, leniency, or death of the members.

Co-operation is the movement of the people, by the people and for the people. Democracy is the basic principle of the co-operative movement. Co-operative institutions improve the socio-economic conditions of the members and strengthen the economy of the country. The co-operative movement plays a vital role in all walks of life. Co-operative credit society, housing co-operative societies, consumer co-operative societies, weavers co-operative societies, dairy co-operative societies, industrial co-operative societies and the like fulfil the needs of the people and have integrated with their day-to-day life.
Development is essentially a process of change from autonomous status to organised optional change. The people trapped in illiteracy, poverty and suffering from extremes of material and social depreciation tend to lose impulses of awareness and motivation and this deprivation makes them weak, isolated, vulnerable and powerless. The co-operatives play an important role in influencing these people towards social and economical changes and offer unlimited possibilities of participation in economic resurgence.

The establishment and growth of co-operatives, is regarded as one of the important instruments for economic, social and cultural development as well as human advancement in developing countries. The International Labour Organisation considered "co-operatives to be established and developed as a means of increasing national income, export, revenues and employment by a fuller utilisation of resources aimed at bringing fresh areas into productive use and in the development of modern industrial, preferably scattered, processing local raw materials. In India, co-operation has developed and is being developed as a constructive instrument for economic and social uplift."
While the co-operative movement in Great Britain and other western countries was spontaneous. In India and other developing countries, it was promoted by the government "not because it was desired but because it was desirable." Of course, in course of time, the co-operative movement came to be recognised as the best means of economic development. It was introduced as a state policy according to many thinkers and writers, the origin of the co-operative movement in India is linked to the enactment of Co-operative Societies Act 1904 for agricultural co-operative credit societies. This act created the institution of the registrar for co-operative societies which is continuing even today.

Started in 1904 basically as a credit movement its development presents a unique phenomenon. It has been nursed by the state, the non-officials provide voluntary services in its process of development. It is also true that even though the state has come out with its regulatory role, it has much desired people's participation and leadership role for the success of the movement. The uniqueness of the movement can be seen in the strides it had made in a variety of fields of economic activities. The diversified profile of the movement has made it unique in the world, unparalleled and unknown in any single country. In terms of size, co-operative
development in India since 1955-56 (beginning of the Second Five Year Plan) onwards is something which can be adjudged as remarkable and significant.

Institutional Alternatives in Dairying

The Indian experience with institutional experimentations in the dairy sector is unique with special focus on the role played by co-operatives, commercial dairies, city based colonies, city milk schemes and the private non-organised sector.

Over the past five decades there is a change in the Indian dairy economy in many significant ways. One major change has been gradual transmission of the dairy products from subsistence to market orientation in conjunction with commercialisation of the dairying.

The first major landmark in the development of co-operative dairying in India was the establishment of the Kaira District Co-operative Milk Producers Union Ltd, Anand Milk Producers Union Ltd (AMUL) in Kaira District at Anand in Gujarat state in 1946. Before the establishment of AMUL, the milk marketing system in the district was controlled by contractors and middlemen who used to exploit the milk producers in all possible ways thereby
earning huge profits. As a result, there was growing discontentment among the milk producers. This became noticeable when the Bombay Milk Scheme started in 1945 by the Government of Bombay, entered into an agreement with Poisons Ltd, a private dairy to supply milk from Anand to Bombay (at a distance of 427 Km) on regular basis.

When the farmers approached late Sardar Patel, a leader in India's independence movement, he advised them to form dairy co-operatives so that they could manage their milk business by themselves. The farmers decided to organise milk producers co-operative societies in all the villages which would federate to form into a union at the district level and the latter would own milk processing facilities.

It was felt by the farmers that the Government of Bombay should undertake to buy milk from the union. But the Government of Bombay turned down their request which led to a milk strike lasting for 15 days during which not a drop of milk was sold to milk merchants. The Government ultimately had to concede their demand for the formation of milk co-operatives.
Dairy Development in Andhra Pradesh

Although dairying has been in practice in the state, as in other parts of the country, since times immemorial, dairy development in the organised sector started only in 1960 with the launching of a pilot milk supply scheme linking the milk producing areas of Krishna delta with the consuming area of Hyderabad, the state capital. The scheme involved a meagre collection of 1000 litres of milk per day. The UNICEF provided financial assistance for the implementation of the Integrated Milk Project, Vijayawada, Hyderabad.

The main objective of this project was to supply wholesome milk to consumers in the twin cities of Hyderabad and Secunderabad, while ensuring assured marketing facilities and remunerative prices for the rural milk producers. However, dairy development progressed at a slow pace in the state under the state dairy development department till 1974.
Establishment of Dairy Development Corporation

In 1974 the State Government constituted an autonomous body known as Andhra Pradesh Dairy Development Corporation Ltd (APDDC) to provide undivided attention to the progress of dairy industry in the state. At the time of formation of the corporation, there were 41 dairy units comprising 37 milk chilling/cooling centres on milk products factory and three feed mixing plants with a turnover of Rs.13 crores. The establishment of the corporation enabled the dairy industry in the state to function on commercial lines and increase the turnover and efficiency. The corporation had taken up an aggressive strategy of development of extensive infrastructure to extend the benefits of dairy schemes in backward and tribal areas and in later years diversification of milk products manufacture to absorb all marketable surplus of milk in view of the great fluctuation in milk production in the lean and flush seasons.

Vijaya Milk

The Corporation became the marketing agent for those dairies in the public sector engaged in the manufacture of milk products, under the brand name of VIJAYA with a view to ensuring
effective distribution of products in the market, the Corporation appointed sole selling agents of repute for sale and distribution of its products throughout India. Thus the Corporation entered the National Market and VIJAYA has become a household name for quality milk products.

Co-operative dairying had a formal launching in the state when the Sangam Dairy was started at Vadlamudi in Guntur district in 1977. This dairy was started with a view to replicating the Anand pattern in the state under Operation Flood-I and was handed over to the Guntur District Co-operative Milk Producers Union Ltd in 1978. The Indian Dairy Corporation (IDC) provided the financial assistance while the National Dairy Development Board (NDDB) rendered technical advice for the implementation of Operation Flood-I in Guntur district through a two-tier structure of village level Milk Producers Co-operative Societies (MPCSs) and district level union.

The spearhead team of the National Dairy Development Board helped the formulation of Anand pattern co-operative societies. The success of Sangam Dairy seems to have resulted in greater awareness among the milk producers about their own strength and power by co-operation and established their capacity to manage
the milk business on a profitable basis. In fact Sangam Dairy has been said to have emerged as Anand for south India.

OPERATION FLOOD

The Operation Flood was conceived and formulated by the National Dairy Development Board and executed by the Indian Dairy Corporation. This is the biggest milk drive launched in the country. Operation Flood is aimed at the implementation of the milk production enhancement programmes with the long-term objective of achieving self-sufficiency in milk. Development of the basic transportation and storage network to facilitate regional and seasonal balancing of milk supply and demand are contemplated under the Operation Flood project.

The Government of Andhra Pradesh entered into an agreement with Indian Dairy Corporation for implementation of Operation Flood- III programme in the State. Under this programme the technical input programme which is backbone for increase in milk production is to be implemented in the selected districts.

The cost of the programme is of the order of Rs.2,440 lakhs of which the recurring expenditure is about Rs.1,976 lakhs. For meeting this recurring expenditure, the Indian Dairy Corporation
has stipulated a condition that the Federation should generate the funds at 8 paise per litre from the milk producers' cooperative society supplying the milk to the federation.

In Andhra Pradesh state, Operation Flood II was implemented in the year 1981 by conversion of Andhra Pradesh Dairy Development Corporation in Andhra Pradesh Dairy Development Co-operative Federation. To implement the Flood Programme in Andhra Pradesh, the Indian Dairy Corporation is making financial assistance by way of 70 per cent loan and 30 per cent grant.

The National Dairy Development Board which is the advisor to the Indian Dairy Corporation had selected 16 districts in the state which includes Kurnool to implement the Operation Flood-II. The Andhra Pradesh Government took efforts to cover the following:

1. Formation of 5,100 village milk producers co-operative societies.
2. Enrollment of 9 lakh milk producers as members.
3. Development of milch animals to the tune of 12.10 lakhs.
4. Maximisation of milk production of 49.10 lakh litres per day.
5. Procurement of 12.10 lakh litres of milk per day on an average.
Phase-II of Operation Flood, coinciding with the Seventh Plan period, seeks primarily to consolidate the extensive milk procurement and marketing base built during Operation Flood-I and II. It aims at increasing the rural milk procurement to 18.3 million litres per day collecting from over 8 million milk producer families by 1990. Of this quantity of milk procured, over 13 million litres per day are proposed to be sold as fluid milk in the urban markets.

Principles of Profitable Dairying

The path of profitable dairying zigzags through the four P's, i.e., procurement, production, processing and promotion. It is necessary to have a clear understanding of these four P's to become successful in the dairy industry.

Procurement: It covers procurement of milk from rural producers (or) contractors including setting up of chilling centres, provision of laboratory equipment and suppliers, milking machines etc.

Production: It includes the activities of producing various types of milk like conventional, toned, low fat milk. The key is to sell milk also as a fun product and not merely as something which is good for health.
Processing: Processing of products such as butter and cheese, breads, dairy whiteners, butter oil etc.

Distributive Network System in the Dairy Industry

Securing and maintaining harmonious working relationships with the distributive network is an important as building and maintaining favourable reputations with final buyers. Distributive outlets are customers for the products and collectively they bear responsibility for making the "pay off" sales to final buyers. Unless the supply of the product flows through to final buyers marketing channels, clog and all previous personal selling and another marketing efforts are wasted.

The distributive outlets handling the product or assisting in its sales, are extensions of the manufacturer's sales organisation. Often they are final buyers only points of contact with the manufacturer. Confidence in individual outlets is frequently a crucial factor influencing decisions to buy the manufacturer's product. Distributive outlets are the manufacturer's on the spot within their sphere of operation. Their reputations are influenced by that as the manufacturer, its products, and its promotion from the sales executives standpoint. The importance of establishing and
maintaining favourable relations with the distributive network can hardly be over stated, since the directly influence selling efficiency, costs and profits.

So, distributive channels play a decisive role in the successful marketing of most products produced normally use a number of marketing intermediates for taking their products to the user. In VIJAYA Dairy they have three types of distribution methods as given below:

- Producers --> Manufacturers --> Dealers --> Consumers
- Producers --> Manufacturers --> Consumers
- Producers --> Manufacturers --> Stockist --> Consumers
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