An Action Research to Improve the Traditional Milk Sector

Executive Summary

This report covers a summary of the findings, actions, outputs and recommendations of a multi-stakeholder multi-partner 'Action Research (AR) to improve the Traditional Milk Sector' (TMS) taken up in the Khammam and Vijayawada districts of Andhra Pradesh. For the purpose of this research, TMS refers to those channels served by either producers or vendors serving unprocessed, unbranded milk in loose form or in plastic bottles or pouches, in flexible quantities and prices. Eight habitations and four markets involving 949 producer households (HH), 819 consumer HHs, 179 institutional consumers and 75 market intermediaries were covered under the AR.

Share of the Traditional Milk Sector

In all the habitations together, TMS accounted for 77 per cent (in the flush season) and 78 per cent (in the lean season) of the producers who sold milk. Even in habitations where the cooperative and private dairy channels operated, TMS accounted for 53 per cent (flush) and 57 per cent (lean) of the producer HHs. In the markets covered, TMS accounted for 42 per cent of the milk-consuming HHs in Vijayawada, 89 per cent in Khammam and 99 per cent in Satupalli. The producers, consumers and channel partners/vendors perceive many strengths in TMS as shown in Box 1. A vast majority of them patronise TMS even where all channels coexist and compete, disregarding the weaknesses highlighted in Box 2.

Box I

Strengths of TMS
1. Built on personal relations over years/ generations. 29 per cent of vendors are also producers.
2. Favourable consumer confidence. (60-74 per cent consider TMS milk to be fresh, thick, creamy and tasty).
3. The only market access in low productive /remote areas and source of milk in a vast majority of towns.
4. Provides non-price incentives such as morning wake-up call to producers, helps in animal preparation /milking, doorstep milk collection/delivery, accepts froth as part of milk, no sample for milk testing, supplies milk when animals dry up, supplies groceries and emergency loans.
5. Monthly milk payments to producers/credit to consumers.
6. Boosts income, employment and nutrition and empowerment of women

Traditional Milk Sector: the macro picture

Data from secondary sources indicates that at the national level some 46 million producer HHs (70 per cent of the total), 110 million milk buying HHs (77 per cent of the total) and a few million vendor HHs are dependant on TMS.

Box II

Weaknesses and Gaps in TMS
1. All producer samples were undiluted. All vendor samples and 55-88 per cent of the consumer samples (include non-TMS milk also) were diluted.
2. Fifty per cent of vendor samples carried chemical neutralisers in summer. Some vendors mix part of the evening milk (unchilled) with morning milk.
3. Very short MBR time reflects heavy bacterial load and poor quality of milk.
4. Producer price is low, only 51-59 per cent of the consumer rupee (excludes the value of non-price incentives) reaches the producers.
5. Price from vendors is mostly the same across all vendors, all farmers and all seasons, even where all channels operate.
6. Average quantity per vendor is only 38 litre/day. 45 per cent of vendors handle < 20 litre/day.
7. Balancing of procurement and marketing takes place at each vendor level - no space to alter either procurement or marketing.
8. Returns on labour input is low. Per vendor input is 5-6 hours per day.
9. Lack of infrastructure for low scale of operation (chilling, processing, storage, packing, preservation) and unsuitable milk containers and transport facilities.
10. Lack of institutional structures (producer, vendor, consumer) and interface facilities.

About 1,340 lakh litre of milk per day (some 77 per cent of the total milk marketed in India) passes through this channel. Thus TMS has vast size, coverage, spread, reach and potential for impacting millions of the resource poor in India. Unfortunately, in spite of such potential, TMS remains sadly neglected, lacking focus in policies, programme plans and development strategies. Some even seem to hold the view that the traditional milk channels are beyond correction and are better left alone!

Need for support

Indeed, the market share of TMS gets displaced by the organised milk sector, but at a snail's pace. At the current rate of displacement, it might take six to seven decades to reduce TMS to a level of 10 per cent of the

Box III

Suggested Changes in Approaches and Policies

1. Criteria for selection of districts and deployment of development funds for dairy programmes may be reviewed to set a balance between commercial routes for developed areas and development funds for low producing areas.
2. The existing legal standards favour processed and packed milk. These may be reviewed to enable unprocessed, loose milk vendors to also operate within the legal frame.
3. Priority to building institutions of producers and vendors and platforms of consumers and developing their capacity/awareness.
4. Create an enabling regulatory environment to help vendors operate within the food laws.
5. Support for quality-based pricing system.
6. Support to build some minimum infrastructure for low volume, low cost, instant milk processing such as mobile milk testing/ tamper proof milk samples for testing, introduction of quality-based pricing, immersion/instant low volume chilling, hygienic packing, fat balancing and standardisation, suitable containers and carriers for milk transport by two wheelers, overnight (transit/association level) storage for surplus milk etc.
7. Effective coordination and linkage under TMS for livestock service delivery in low-producing areas.
8. Poverty alleviation programmes using low producing animals need a thorough review.
9. Policy makers, planners and academia may be exposed to TMS to develop a balanced view so as to capitalise for potential development outcomes.

milk marketed in India. Is it then wise to leave the sector unaddressed and consumers continue to suffer on account of the milk quality while the producers and vendors lose the opportunity to improve their livelihood? It is also worth pondering whether merely a set of new food laws or their stricter enforcement can ensure that millions of resource-poor market intermediaries abide by them in the absence of an enabling environment for reforms. It needs to be appreciated that milk is produced and consumed everywhere; the organised sector is unable to extend market access everywhere; and, even where they do extend, the producers and consumers value the services provided by TMS that go beyond the price of milk. Providing enhanced market access through improvements in the traditional channels in areas with low volumes, linking productivity enhancement services and, when volumes increase, stimulating market competition, can contribute to the envisaged 'socially inclusive and regionally balanced economic growth'. Similarly, support to TMS can help to partly cope up with the erratic growth in milk production witnessed in recent years. Some of the changes in approaches and policies suggested by the AR are in Box 3.

Actions Initiated and the Way forward

Together with producers, vendors and consumers and the support of the AH Dept, Dairy Dept, DRDA and NDRI, the AR took up a number of actions (refer summary report 1.9.2, page 24 and Annexure-I). Some of these like organising vendors and producers, their training, interface meetings, establishment of fat testing facility, building consumer awareness etc. have produced encouraging results positively impacting the quality and price of milk, business operations and delivery of services. The vendors have shown a readiness to learn, address the shortcomings related to milk quality, pricing, payment to farmers, scale of operations and others and thus enhance their performance. These small improvements can be faster when taken up together with capacity building, mentoring and some minimum infrastructural support and have the capacity to inspire the vendors also to follow good practices.

The objective of the AR was to improve the quality, market access, farmer income and productivity by tapping the synergies and not to displace one channel with another. These are bound to shorten the time to reach the threshold level of production when other channels could also enter the fray, compete and stimulate higher growth for the benefit of millions of farmers, consumers and market intermediaries.

A Word of Caution

While going through the summary report, one might question the validity of the secondary data quoted in the report to depict the macro picture or be disheartened by the lack of dependable macro level data. Indeed, rigorous efforts should continue to fill the data gaps. At the same time, it will be best to explore the reforms in the direction shown by the AR so that TMS receives the support it rightly deserves.

The Reports on the Action Research can be accessed from Intercooperation (info@intercooperation.org.in)