

## Role of unorganized dairy sector in rural development

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### ABSTRACT

Two third of countries population live in rural areas and almost half of the national income is generated from rural region (NCAER). Even 70 % of the countries population resides in the rural areas; there are 700 million people in villages. The twenty first century will be recorded in dairy history as India becomes the largest milk producing country in the world and the dairy cooperatives are the largest player in the organized sector. Even after this development, 70 to 85% milk is being handled by unorganized milk sector. The paper focuses on some micro level issues like, even after most successful business model of Amul how these unorganized dairy sectors are able to collect the milk from the farmers. How they are able to compete with cooperative dairies

**Key words :** Unorganized dairy, Cooperative, Rural, Milk

India is the largest milk producer in the world (100 trillion tones during 2006-07) and milk production is based on smallholder system with one or two milch animals (GOI, 2007). Milk production in India takes place in millions of rural households scattered across the country. There are few organized players also. Like in most developing countries, a large share of the marketable surplus of milk (70-85 per cent in different regions) is marketed through the unorganized sector comprising of milk vendors, traders and small private dairies (GCMMF, 2009).

Out of the 1.13 billion Indian populations, 70 per cent live in villages. With reduction in the man-land ratio, cultivable landholding per family is decreasing from one generation to the other. This situation is leading to an ever increasing number of small holding farmers. Besides urban pressure on land, alternate job opportunities and unviable smallholding, there has been simultaneous increase in the number of landless in rural as well as urban India. Milk production is an important rural activity in India providing supplementary income, employment and nutrition to millions of rural households. With a value of output of about Rs. 82,624 crore (US\$19,639 million) during 1998-99, it ranked first, surpassing rice, in India's agricultural sector (CSO, 2000).

Dairy cooperatives are the largest players in the organized sector. The Operation Flood initiative to develop the dairy sector in India focused on cooperative development, which gave this sector an edge over the private sector. Along with this, dairy sector regulations

such as the Milk Market and Products Order (MMPO) imposed further restrictions on large scale private sector investment in the dairy sector. Thus, historically there have been few large scale private players involved in the dairy sector in India.

India's dairy sector is expected to triple its production in the next 10 years in view of expanding potential for export to Europe and the West. Moreover, with WTO regulations expected to come into force in coming years, all the developed countries which are among big exporters today would have to withdraw the support and subsidy to their domestic milk products sector. Also India today is the lowest cost producer of per liter of milk in the world, at 27 cents, compared with the U.S' 63 cents, and Japan's \$2.8 dollars. Also to take advantage of this lowest cost of milk production and increasing production in the country, multinational companies are planning to expand their activities here. Some of these milk producers have already obtained quality standard certificates from the authorities. This will help them in marketing their products in foreign countries in processed form.

As one of the biggest programmes for development of dairy came the "Operation Flood" in the year 1970-71. This was a rural development programme, which received liberal grants from the Government of India (NDDDB), the World Bank and the European Economic Commission (EEC). A survey of "Operation Flood" areas in 1995-96 (Shukla and Brahmankar, 1999) showed that marginal farmers and landless households account for about 44 per cent of total milk production in the Operation Flood areas.

The objectives of this programmes is mainly titled and funded for rural development. In Gujarat the success of Amul business model replicated through out the country

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