



## Let the market work

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**(Mains GS 3 : Marketing of agricultural produce and issues and related constraints; e-technology in the aid of farmers.)**

### Context:

- Recently, Amul has raised its milk prices for consumers by Rs 2/litre which has become a matter of debate.
- This increase works out to about 4 per cent of existing prices, and is well below the increase in the overall consumer price index (CPI) which has already crossed the tolerance limit of RBI at 6 per cent.

### Input cost is increased:

- For dairy farmers, this increase in milk prices is not commensurate to the increase in their feed and other costs, and they feel that their margins are getting squeezed.
- Amul's Managing Director also says that this increase is meagre as it does not fully cover his increased costs of logistics and packaging.
- However many experts believe that this will push up CPI further, causing inflationary pressures, which may soon force the RBI to change its "accommodative stance" on monetary policy.

### Milk as an case study agriculture sector:

- Milk is an important case study for our overall agriculture sector.
- First, milk is our biggest agri-commodity in terms of value, greater than paddy (rice), wheat, and sugarcane combined.
- Second, India is the largest producer of milk in the world with an estimated production of about 208 million tonnes in 2020-21, way above its closest competitor, the US, whose milk production hovers around 100 million tonnes.
- Third, our dairy sector is dominated by small holders with an average herd size of 4-5 animals.
- Fourth, there is no minimum support price (MSP) for milk and It is more like a contract between the company and the farmers.

- Thus, the price of milk is largely determined by the overall forces of demand and supply.
- Increasing costs of production enter through the supply side, but the demand side cannot be ignored.
- As a result of all this, the overall growth in the dairy sector for the last 20 years has been between 4-5 per cent per annum, and lately, it has accelerated to even 6 per cent.
- In comparison, cereals have been growing at about 1.6 per cent per annum over the same period.

### **Transformation by ‘Operation Flood’:**

- It is well known that “Operation Flood” (OF) that started in the 1970s transformed the dairy sector.
- The institutional innovation of a cooperative model, steered by Verghese Kurien, changed the structure of this sector.
- However, even after five decades, cooperatives processed only 10 per cent of the overall milk production.
- India needed the double-engine force of the organised private sector to process another 10 per cent.

### **Role of private players:**

- The doors for the private sector were opened partially with the 1991 reforms, but fully in 2002-03, when the dairy sector was completely de-licenced.
- Milk production recorded a growth rate of 4.7 per cent between FY 2004 and FY 2014, which increased to 6 per cent between FY 2015 and FY 2021.
- As per an NDDDB report, the “capacity created by private dairy companies in the last 15 years is equivalent to the capacity set up by cooperatives in over 30 years”.

### **Private entity in the sector:**

- Hatsun Agro Products Ltd (HAP), based in Tamil Nadu, is the largest private sector dairy company in India with milk procurement of 32 LLPD with about 20 processing plants.
- HAP dared to step into liquid milk marketing back in 1995 when cooperatives dominated the fluid milk market.
- Currently, HAP produces an array of value-added products, including cheese, ice cream, and curd.
- Several other private dairy companies like Parag Milk Foods Ltd (Maharashtra), Prabhat Dairy (Maharashtra), Heritage Foods Ltd. (Hyderabad), Dodla Dairy Ltd (Hyderabad), Ananda (Uttar Pradesh), and Nestlè India Ltd can procure 10-20 LLPD of milk.

### **Startups promising farm to home experience:**

- Many start-ups “dairypreneurs” have come in promising a farm-to-home experience of milk.
- Country Delight is one such company that delivers fresh milk at the consumer’s doorstep and gives quality testing kits at home.
- Stellapps Technologies is working towards digitising the dairy supply chain in India by enabling traceability across the milk supply chain for dairy companies.
- They have digitised cattle health, milk production, milk procurement, milk testing, and cold chain management through the Internet of Things (IoT) and sensor-based SmartMoo™ cloud.
- The company is currently touching 11.5 million litres of milk every day and impacting 2.6 million farmers, and one million cattle in about 35,000 Indian villages.

### **Green fodder management:**

- The Indian Grassland and Fodder Research Institute — Vision 2050 estimates that India will have a green fodder deficit of about 30 per cent by 2030.
- “Hydrogreens”, an agri-tech startup provides solutions to the green fodder deficit through their “Kambala”, a hydroponic green fodder unit.
- It allows farmers to grow fresh green fodder year-round without soil in a controlled environment and with limited water resources.
- More than 130 units have been installed across the country to overcome the green fodder deficit in a cost-effective way.

### **Technology played significant role:**

- Sexed semen technology helps in predetermining the sex of offspring by sorting X and Y chromosomes from the natural sperm mix.
- This can solve the problem of unwanted bulls on Indian roads but the hurdle lies in the current cost of sexed sorted semen which is very high.
- However, entity like The BAIF Development Research Foundation is steering this change and provide quality sexed sorted semen from exotic and indigenous cattle and buffalo breeds.
- A “Cattle Development Programme” run by BAIF has conducted more than 1,50,000 sorted semen inseminations with a conception rate of 44.3 per cent, and 90 per cent female births have been recorded.

### **Conclusion:**

- Agriculture prices should be determined by market forces, with marginal support from the government or cooperatives in times of extreme.

- The major focus should be on innovations to cut down costs, raise productivity, ensure food safety, and be globally competitive which will help both farmers and consumers alike.
- The cooperatives did a great job during OF, and are still doing that, but the private sector entering this sector in a big way has opened the gates of creativity and competition.