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Punjab: Create milk grids to help dairy sector emerge from Covid shadow, says study

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CHANDIGARH: There is a need to create local milk grids in Punjab and linking those grids to vendors, organised dairies as well as milk processors across Punjab and adjoining milk deficient regions of Jammu and Kashmir, and Rajasthan so as to help the dairy industry to deal with the Covid-19 like situation.

This policy suggestion has been made in a study conducted on the impact of Covid-19 on Punjab's dairy industry by Naresh Singla, assistant professor in the department of economic studies in central university of Punjab at Bathinda. He has highlighted that milk procurement through dairy cooperatives tends to be more resilient than vendor-driven milk markets and losses to the milk producers are more in vendor-driven markets during the Covid-19 pandemic.

The study has found that during the Covid-19 lockdown, due to lower price for milk, effect on milk productivity, lack of assured procurement, unavailability of animal feed and lack of veterinary services, there has not only been reduction of income from dairying but also in irregularity of income. This has had serious implications for the milk producers, particularly landless and small farmers, as milk production is largely carried out as complimentary activity along with crop production. Therefore, the milk producers have been unable to pay or clear off their dues.

It has also been recommended that there is a need to strengthen and expand the capacity of Milkfed, private milk plants and producer companies through easy financing from commercial banks, cooperative banks and other financial lending agencies to meet working capital requirements of dairy plants. This would help in increasing their operational capacity and meeting the challenges posed during Covid-19 like situation.

Similarly, the study suggests revamping of the functioning of village level dairy cooperatives to ensure uninterrupted supply of cattle feed, provision of veterinary and technical services besides other inputs at milk producers' door steps. Setting up of a milk price stabilization fund can pave the way for stabilizing the income of the dairy producers, which in turn can help to sustain the dairy sector post-Covid, the study has recommended. It has also been suggested that milk producer companies can play a much greater role than cooperatives during the Covid-19 period by ensuring fair prices for milk, transparent transactions, ensuring participation of landless and small land holders and women, dairy inputs and technical

services. This study is a part of policy series on Punjab economy by Patiala-based Punjabi University's centre for development economics and innovation studies.

Decline in milk sale, procurement

The Milkfed faced difficulty to handle the additional milk procurement due to a surge in fresh milk supply and a concurrent major drop in demand for milk and milk products during Covid-19 lockdown. The daily milk procurement was 26.5 lakh litre per day as on April 1, which was around 32% cent higher than their installed capacity. Some private milk plants agreed to procure milk from the farmers on the condition of deferred payment, while others started to practice a weekly milk holiday. The Milkfed had to reduce procurement rate by Rs 3 per litre for cow milk and Rs 4.50 per litre for buffalo milk during Covid-19.

The sale of dairy products had gone down due to health concerns, there was reduction of income of the dairy households, migration of labour to home states and closure of sweet shops and eateries. The small milk producers, who mainly supply milk to unorganised milk vendors suffered more than those who sold to the well organised cooperative system of Milkfed and various private dairies.

Dairy sector in Canada, US during Covid-19

The study reveals that in Canada, milk producers had resorted to dumping of milk as the processing facilities were closed due to Covid-19 pandemic. However, the supply chain of milk was found to be more resilient to the impacts of Covid-19 than other sectors as milk producers were financially more stable, losses were pooled, and production or marketing efforts were relatively well coordinated. Similarly, in the US, the impact of Covid-19 had led to a shift in demand due to unpredictable and dramatic societal changes, which had lowered the milk prices, disrupted the supply chain, and left the dairy industry without any government support.

Dairy industry in Punjab

Punjab has annual milk production of nearly 12,599 thousand tonnes which accounts for 6.7% of the milk production in the national milk basket. About two-third of the milk produced in Punjab is marketed and one-third is retained for home consumption. The study says that major share of milk in Punjab is handled by unorganised sector which is largely dominated by private milk traders, vendors and milkmen who buy milk directly from producers and supply it further either directly to the urban consumers or to informal institutional buyers like restaurants and tea stalls or wholesalers and local retailers such as sweet shops, creameries and city-based private dairy shops.

The state also has a network of milk cooperative societies at village level, which started in 1973 on the pattern of Amul model under the apex

Body namely Punjab State Cooperative Milk Producers' Federation Ltd or Milkfed.

As a result, Punjab has developed a vast network of milk cooperatives with 8,018 village level dairy cooperative societies, with about 4.10 lakh milk producers as its members, affiliated to 11 district milk producers' unions with 10 milk processing plants, which on an average procure about 17.66 lakh litres of milk per day against a consolidated milk handling capacity of around 21.85 lakh litres per day.