

A Study on Impact of Economic Reforms in the Dairy Industry in India

Dr. M. Suvakkin

Assistant Professor, Department of Economics
St. Joseph's College, Tiruchirappalli - 620 002

&

G. Kannammal

PhD Research Scholar, Department of Economics
St. Joseph's College, Tiruchirappalli - 620 002

Abstract

In India, the dairy industry plays an important role in the country's socio – economic development and constitutes an important segment of the rural economy out of the total milk production in India, only 35 percent milk is being processed of which the organized dairy industry accounts for 15 percent of the milk produced, while the rest of the milk is either consumed by the producers themselves or sold at the origin through informal channels. The impact of Economic reforms on dairy industry is positive. The growth of milk production in India has increased from 4.32 percent in the year 1991 to 6.15 percent in 2016. Dairy Industry provides livelihood to millions of homes in villages, ensuring supply of quality milk and milk products to people in both urban and rural areas. With a view to keeping pace with the country's increasing demand for milk and milk products, the industry has been growing rapidly; growth potential of dairy market is projected to grow at CAGR of 10-11 percent and would touch USD 84 bn by 2017.

Keywords

Dairy Industry, milk production, per capita availability of milk

Introduction

Fundamental changes in the Indian economic policy were introduced in 1991. After this the Industrial licensing has been abolished. There is no need of the large business houses required to take separate permission for investment and expansion. The list of industries reserved for the public sector has been reduced and equity in public enterprises is being divested. Access to foreign capital and technology has been made freer, the quantitative restrictions on imports have been virtually abolished, and import duties have also been significantly reduced. The basic idea behind such economic reforms is that the reduction in the size of the public sector and the lifting of government controls and regulations on production, trade and investment would usher in a more competitive environment, improve efficiency and hence growth. The pattern of

industrialization is expected to be not only internationally competitive but also “sufficiently labour-intensive”. The problem of poverty was to be tackled through rapid and sustained growth in output and employment (GoI 1993). A number of studies have been published on the impact of reforms on industry (Nambiar *et al.*, 1999; Mani, 1998; Chandrasekhar, 1996). These studies have analyzed a number of critical issues and are in general critical about the reforms process. The focus of this paper is on the impact of economic reforms in the Indian dairy industry.

The Indian dairy industry is poised for spectacular growth. The importance of dairying in a country like India hardly needs emphasize. India has vast resources of Dairy Industry which plays an important role in the national economy and also in the socio-economic development of millions of rural households. It contributes a large share of the agro-based food products. With the initiation of India's first Five-Year Plan in 1951, innovation of the dairy industry became a main concern for the government. The goal was to provide hygienic milk to the country's growing urban population. Primarily government action in this view consisted of organizing "milk schemes" in big cities. To encourage milk production, the government implemented the Integrated Cattle Development Project (ICDP) and the Key Village Scheme (KVS), among other like programmes. In the deficiency of a constant and remunerative market for milk producers thorough milk production remained more or less heavy. During the two decades between 1951 and 1970, the growth rate in milk production was hardly 1 percent per annum, as per capita milk utilization declined by an equivalent amount. In 1989, the government of India launched the Technology Mission on Dairy Development (TMDD) program to support addition the efforts of operation Flood, to enhance rural employment opportunities and income production through dairying.

Growth of the Industry

In 1991, the Indian dairy industry was providing licensing provisions. While early 1990s, India embarked upon liberal policy framework, which got unbreakable with the signing of Uruguay Round Agreement on Agriculture (URAA) in 1994. This opening-up increasingly uncovered the Indian dairy sector to the global markets, which in-turn is fuzzy by export subsidies, domestic support and excessive tariffs in developed countries. Milk production was more or less unexciting during the 1950s and 1960s and annual production growth was unenthusiastic in several years. The per capita availability of milk declined which upset the policy makers. During the second-half of the 1960s the government of India made major policy changes in dairy sector. Growth of Indian dairy sector over the last three decades (post-of period) has been enormously impressive.

The milk production in the country has more than trebled to over 146 million tonnes between 1991-92 and 2014-15 with an average increase of about 5 per cent per annum, which in comparison to world rate of about 15 per cent is a huge amount higher. But the dairy sector steadily improved its percapita availability of milk in India from 1 percent in the year 2003-2004 to 4.88 percent in 2014-15.

However, India has become the biggest milk producing country in the world; its position in terms of per capita availability is one of the buck. The per capita availability of milk was about 2.24 percent per day in 1991-92, and declined to 1 percent per day in 2003-04. However, the nearby level of per capita accessibility is greatly less the world standard of 285 gm and even less than 220 gm suggested by the Nutritional Advisory Committee of the Indian Council of Medical Research (ICMR).

Table-1: Growth of Milk Production in India

Year	Milk Production in India (Million Tonnes)	Growth Rate (%)
1991-92	55.6	-
1992-93	58.0	4.32
1993-94	60.6	4.48
1994-95	63.8	5.28
1995-96	66.2	3.76
1996-97	69.1	4.38
1997-98	72.1	4.34
1998-99	75.1	4.57
1999-00	78.1	3.86
2000-01	80.6	2.94
2001-02	84.4	4.71
2002-03	86.2	2.13
2003-04	88.1	2.20
2004-05	92.5	4.99
2005-06	97.1	4.97
2006-07	102.6	5.66
2007-08	107.9	5.16
2008-09	112.2	3.98
2009-10	116.4	3.74
2010-11	121.8	4.63
2011-12	127.9	5.08
2012-13	132.4	3.51
2013-14	137.7	4.03
2014-15	146.3	6.24
2015-16	155.3	6.15

Source: Department of Animal Husbandry, Dairying and Fisheries,
Ministry of Agriculture, Government of India.

Out of the Total milk production in India, only 35 percent milk is being processed of which the organized dairy industry accounts for 15 percent of the milk produced, while the rest of the milk is either consumed by the producers themselves or sold at the origin through informal channels. The production level of milk in India can be projected to be USD 84 bn by 2017 (CAGR). The total milk economy is estimated at (1991-2015) Rs.82 billion in terms of value. Apart from MNCs like Nestle companies and Britannia, the Indian enterprises have also made perceptible progress. Indian companies engaged in the processing of milk, producing a variety of milk products as Amul, Bread spreads, Butter milk, Ice cream, Dairy Milk and chocolates. National Dairy Development Board is valued at US \$ 62.67 billion and expected to grow 5 percent annually. India is a major exporter of processed dairy products USD 546.1 million during 2013-14. Saudi Arabia, Bangladesh, UAE and Egypt are the top export destinations.

Table-1 shows that in India milk production increased from 4.32 percent in the year 1991 to 6.15 percent in 2016. The impact of Economic reforms on dairy industry is positive. It shows increasing trend in milk production in India. In 1950-70 unaware of modernization, people were unable to increase the production in the dairy industry in India. At present due to the upgrading dairy industry, milk production has improved. From the year 1991-92 milk production has gradually increased year to year. In the year 2002-2003 the growth rate of milk production suddenly decreased due to the constant and remunerative market for milk producers.

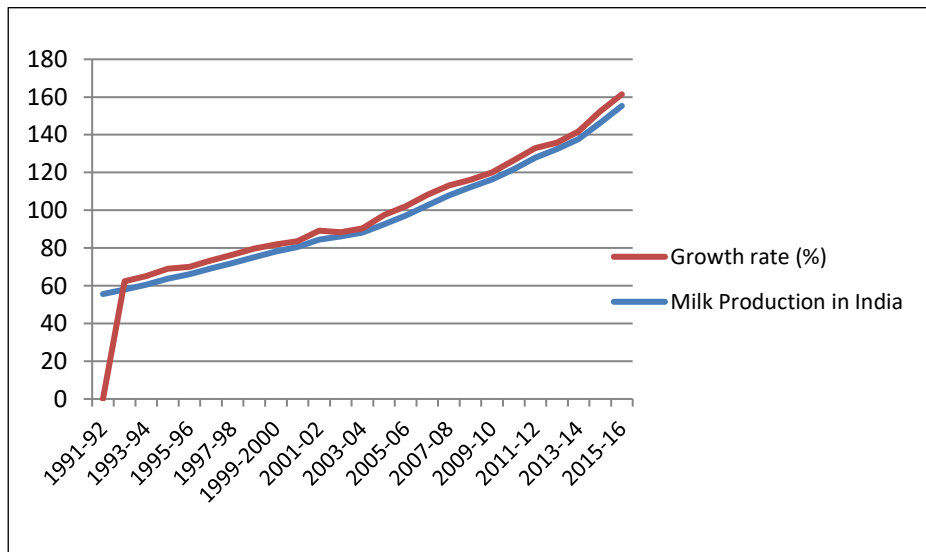
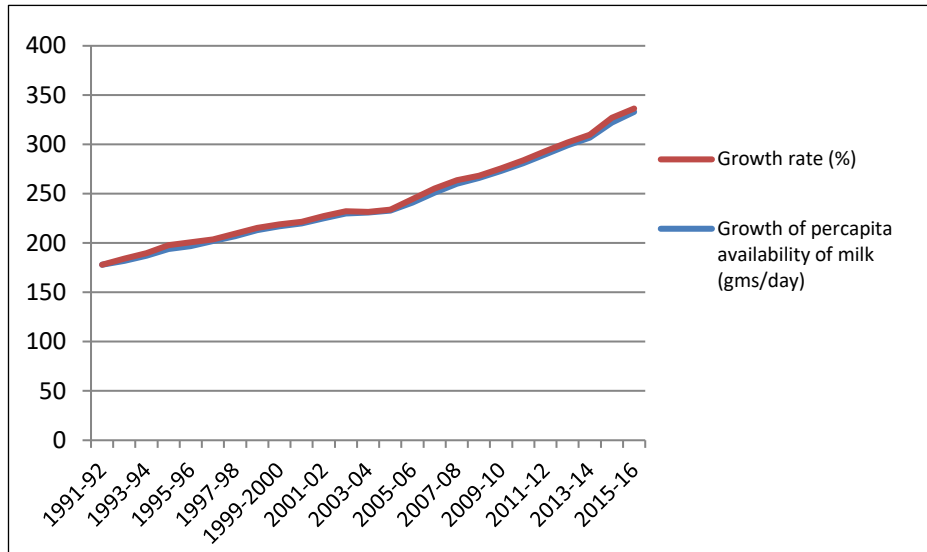


Table-2: Growth of per capita availability of milk in India

Year	Growth of per capita availability of milk (gm/day)	Growth Rate (%)
1991-92	178	-
1992-93	182	2.24
1993-94	187	2.74
1994-95	194	3.74
1995-96	197	1.54
1996-97	202	2.53
1997-98	207	2.47
1998-99	213	2.89
1999-00	217	1.87
2000-01	220	1.38
2001-02	225	2.27
2002-03	230	2.22
2003-04	231	0.43
2004-05	233	0.86
2005-06	241	3.43
2006-07	251	4.14
2007-08	260	3.58
2008-09	266	2.30
2009-10	273	2.63
2010-11	281	2.93
2011-12	290	3.20
2012-13	299	3.10
2013-14	307	2.67
2014-15	322	4.88
2015-16	333	3.41

Source: Department of Animal Husbandry, Dairying and Fisheries, Ministry of Agriculture, Government of India.

The above Table-2 depicts that the growth of per capita availability of milk in India. The impact of Economic reforms on dairy industry is positive. The growth of per capita availability of milk in India has also increased from 2.24 percent in the year 1991 to 4.88 percent in 2015. The total milk production was increased but percapita milk production declined from 4.88 percent in 2015 to 3.41 percent in 2016, showing the declining rate of 1.47 percent due to the inflexible and monsoon failure of milk producers in India.



Indian dairy sector has become progressively more liberalized since 1991. In view of the availability of physical, natural and human resources available in India, it can be concluded that the Dairy sector has a potential to increase the socio – economic conditions of both rural and urban India. According Indian dairy Industry report in 2016, India is the largest milk producing country in the world but only 15 percent of total milk is processed. It has steadily grown from 55.6 million tonnes to 155.3 million tonnes from 1991 to 2016. It enhances the socio-economic condition in India. If the total processed milk production is increased from 15 percent to 30 percent it will help the industry to attain the top place in the economy and provide additional employment to the rural people.

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