

**15 -ാം കേരള നിയമസഭ**

**3 -ാം സമ്മേളനം**

**നക്ഷത്ര ചിഹ്നം ഇല്ലാത്ത പോദ്യം നം. 1883**

**08-10-2021 - ൽ മറുപടിയ്ക്ക്**

**ലിഡാ ജേക്കബ് കമ്മിറ്റി റിപ്പോർട്ട്**

പോദ്യം		ഉത്തരം	
<b>ശ്രീ. സജീവ് ജോസഫ്</b>		<b>Smt J Chinchurani</b> <b>(മുഗസംരക്ഷണ-ക്ഷീരവികസന വകുപ്പ് മന്ത്രി)</b>	
(എ)	ക്ഷീരമേഖലയെക്കുറിച്ച് പഠിക്കാൻ ശ്രീമതി ലിഡാ ജേക്കബ്, ഐ.എ.എസ് (റിട്ടയേർഡ് ) അദ്ധ്യക്ഷയായ കമ്മിറ്റിയെ നിയോഗിച്ചിരുന്നുവോ; റിപ്പോർട്ട് സമർപ്പിച്ചെങ്കിൽ പകർപ്പ് ലഭ്യമാക്കാമോ;	(എ)	നിയോഗിച്ചിരുന്നു. പകർപ്പ് അനുബന്ധമായി ചേർക്കുന്നു.
(ബി)	റിപ്പോർട്ടിലെ ഏതൊക്കെ ശിപാർശകളാണ് നടപ്പിലാക്കിയിട്ടുള്ളത്; മറ്റു ശിപാർശകൾ നടപ്പിലാക്കാത്തതിന്റെ കാരണം പട്ടിക തിരിച്ചു ലഭ്യമാക്കാമോ?	(ബി)	കേരളത്തിലെ ക്ഷീരസംഘങ്ങളുടെ ത്രിതല സംവിധാനത്തെക്കുറിച്ച് പഠിക്കുന്നതിന് ശ്രീമതി ലിഡാ ജേക്കബ് ഐ.എ.എസ് അദ്ധ്യക്ഷയായി നിയോഗിച്ച വിദഗ്ദ്ധസമിതി സമർപ്പിച്ച റിപ്പോർട്ടിന്റെ അടിസ്ഥാനത്തിൽ പ്രധാനമായും താഴെ പറയുന്ന മാറ്റങ്ങൾ മിൽമയുടെ പ്രവർത്തനത്തിൽ കൊണ്ടുവന്നിട്ടുണ്ട്. 1. രണ്ട് മേഖലാ യൂണിയനുകളുടെ ഭരണസമിതി അംഗങ്ങളുടെ തെരഞ്ഞെടുപ്പ് ജില്ലാടിസ്ഥാനത്തിലാക്കി. 2. ഓരോ ജില്ലകളിലെയും ഭരണസമിതി അംഗങ്ങളുടെ പ്രാതിനിധ്യവും തെരഞ്ഞെടുപ്പും അതാത് ജില്ലകളിലെ പ്രതിനിധികളുടെ വോട്ടവകാശം മുഖേന മാത്രമാക്കി. 3. മേഖലാ യൂണിയൻ ഭരണസമിതി തെരഞ്ഞെടുപ്പ് ജനാധിപത്യപരവും സുതാര്യവും ജില്ലകളിലെ അംഗസംഘങ്ങളുടെ എണ്ണത്തിന്റെ അനുപാതത്തിലുമാക്കി. 4. എല്ലാ ജില്ലകളുടെയും ക്ഷീരസംഘങ്ങളുടെ എണ്ണത്തിനനുസരിച്ചുള്ള പ്രാതിനിധ്യ ഭരണസമിതിയിൽ ഉറപ്പുവരുത്തി. 5. കേരള സഹകരണ നിയമം, ചട്ടം എന്നിവയിൽ ആവശ്യമായ ഭേദഗതികൾ/ കൂട്ടിച്ചേർക്കലുകൾ വരുത്തുകയുണ്ടായി. 6. മേഖലാ യൂണിയനുകളിലെ നിയമനങ്ങൾ കൂടുതൽ സുതാര്യവും അഴിമതിരഹിതവുമാക്കുന്നതിന് ക്ഷീര വികസന വകുപ്പ് സെക്രട്ടറി ചെയർമാനായും, KCMMF Ltd മാനേജിംഗ് ഡയറക്ടർ കൺവീനറായും, അംഗങ്ങളായി ചെയർമാൻ, KCMMF Ltd, മേഖലാ യൂണിയൻ ചെയർമാൻ, രജിസ്ട്രാർ (ഡെയറി), NDDB റീജിയണൽ ഹെഡ്, സർക്കാർ നോമിനി (ജോയിന്റ് സെക്രട്ടറി / ജോയിന്റ് ഡയറക്ടർ

റാങ്കിൽ കുറയാതെയുള്ളവർ) മേഖല യൂണിയൻ മാനേജിംഗ് ഡയറക്ടർ എന്നിവരുടേയും റിക്രൂട്ട്മെന്റ് കമ്മിറ്റി രൂപീകരിച്ചു. 7. ആപ്കോസ് നിയമാവലി പ്രകാരം രജിസ്റ്റർ ചെയ്ത എല്ലാ പ്രാഥമിക ക്ഷീര സംഘങ്ങൾക്കും മേഖല യൂണിയനുകളിലൂടെ അംഗത്വം നൽകുന്നതിനുള്ള നടപടികൾ സ്വീകരിച്ചു. 8. കാലിത്തീറ്റ ഗുണനിലവാരം ഉറപ്പുവരുത്തുന്നതിന് നിയമനിർമ്മാണം നടത്തുന്നത് സംബന്ധിച്ച് ഓർഡിനൻസ് പുറപ്പെടുവിച്ചു. സർക്കാരിന്റെ പരിഗണനയിലുള്ള പ്രസ്തുത റിപ്പോർട്ടിലെ ശുപാർശകൾ ചുവടെ ചേർക്കുന്നു: 1. മേഖലയൂണിയന്റെ ഭരണസമിതി അംഗങ്ങളുടെ കാലാവധി പരമാവധി മൂന്ന് term ആയി നിജപ്പെടുത്തുക ; 2. മേഖല യൂണിയനുകളിലെ നിയമനങ്ങൾ പി.എസ്.സിക്ക് വിടുക ; 3. അംഗസംഘങ്ങൾ മേഖല യൂണിയനിൽ എടുക്കുന്ന ഓഹരി തുകയ്ക്ക് ആനുപാതികമായ ലാഭവിഭജനം നൽകുക; 4. R&D വിംഗ് കൂടുതൽ പ്രഫഷണലുകളെ ഉൾപ്പെടുത്തി കൂടുതൽ ശാക്തീകരിക്കുക ; 5. ഡയറികളിലും കാലിത്തീറ്റ ഫാക്ടറികളിലും പെർഫോമൻസ് ഓഡിറ്റും ടെക്നിക്കൽ ഓഡിറ്റും ഏർപ്പെടുത്തുക ; 6. ഫെഡറേഷൻ കീഴിൽ എല്ലാ മേഖല യൂണിയനുകളിലേയും ഫെഡറേഷനിലെയും അസിസ്റ്റന്റ് മാനേജർ മുതൽ മുകളിലോട്ടുള്ള തസ്തിക പൊതു കേഡറിൽ കൊണ്ടുവരിക ; 7. ഫെഡറേഷനിലെ പ്രോഗ്രാം കമ്മിറ്റി ശക്തിപ്പെടുത്തുക ; 8. പ്രാഥമിക ക്ഷീരസംഘം ജീവനക്കാർക്ക് മെച്ചപ്പെട്ട വേതനം നൽകുന്നതിലേയ്ക്ക് പാൽ വിലനവീലയുടെ കുറഞ്ഞത് 6 ശതമാനമെങ്കിലും ക്ഷീരസംഘങ്ങൾക്ക് നൽകണം ;

സെക്ഷൻ ഓഫീസർ

**REPORT**  
**OF THE COMPREHENSIVE STUDY ON THE**  
**THREE – TIER DAIRY CO-OPERATIVE STRUCTURE**  
**IN KERALA**

**G.O.(Rt)No. 74/2017/DD**

**Dated, 30-06-2017**





# PREFACE



**Lida Jacob IAS (Rtd)**

Chairperson, Expert Committee on Dairy  
Co-operatives in Kerala

The dairy sector is a fast growing economic activity that has a significant presence in the rural and semi-urban communities in Kerala. It contributes to the economy of the local area as also to the enhancement of the nutritional levels of the population. The successive enlightened governments of the state have always been supportive of this sector, which has evolved into a sustainable means of livelihood for a large number of families.

The successful replication of the Anand Pattern of dairy co-operatives in Kerala during 1985-89 has been the key factor in the growth of milk availability. The three-tier co-operative structure termed MILMA, has been in the forefront of this silent white revolution. The passage of 37 years has thrown up new challenges that call for a re-look into the structure and management of this organization and the sector in general, to facilitate further growth.

As Chairperson of the Expert Committee constituted by Government, my task has been both stimulating and daunting. I believe that my earlier tenure as Dairy Development Commissioner and Managing Director of MILMA has given me the required perspective to lead this assignment. The Committee has endeavoured to focus on all the important aspects and interact with the farmers and the other stakeholders to get a comprehensive and in-depth understanding of the issues

involved. The insights thus obtained have been formulated into well thought-out observations and recommendations. Some of them being of urgent nature need to be addressed on top priority, while others would need additional study and inputs to lead to an Action Plan for implementation.

Along with the other members of the Committee, I would like to thank Adv. K. Raju, the Honourable Minister for Animal Husbandry and Dairy Development, Sri. Anil X. IAS Secretary to Government, heads of related departments, leaders and professionals of MILMA and the host of excellent and committed individuals who have co-operated and assisted us in our work.

We sincerely hope that this Study Report will result in a quantum improvement both in the role of MILMA and in the level of prosperity of the dairy farmer and their primary dairy co-operatives, which constitute the foundation of the entire sector.

Thiruvananthapuram  
Date 30.4.2018



**Lida Jacob**

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## ACKNOWLEDGEMENTS

The members of the Expert Committee on the three-tier Dairy Co-operative Structure in Kerala, would like to place on record their immense gratitude to the large number of dedicated persons who have offered their whole-hearted co-operation to the Committee in the fulfilment of their task. It is imperative that we mention the contributions of some of the prominent persons without whose support this Report could not have been completed.

Advocate K. Raju, the Honourable Minister heading the Animal Husbandry, Dairy Development, Forests and Wildlife Departments of the Government of Kerala, has always been accessible and truly supportive towards the Committee. We hope that the Study Report will reach his expectations and enable him to lead the dairy sector to greater heights as envisioned by the Government of Kerala.

Sri. Anil X. IAS, Secretary to Government for Animal Husbandry and Dairy Development has always been responsive to the requirements of the Committee and has often spared his time for helping the Committee to take its work forward.

Our thanks are also due to Dr. N.N. Sasi, Director of Animal Husbandry, Sri. Abraham T. Joseph, Director, Dairy Development, Dr. Jose James, Managing Director, KLDB, Dr. P. Pugazhendi IFS, Managing Director of KCMMF and Dr. B. Sreekumar, Managing Director Kerala Feeds Ltd. who have attended the meetings and discussions arranged by the Committee and have also furnished the required information related to their areas. Their District/ Federation/Regional Union level officers have participated in the district -level sittings and have extended their full co-operation.

Our thanks are also due to Private Secretary , Additional Private Secretaries and members on the personal staff of the Honourable Minister.

We are also grateful to Sri. P.T. Gopala Kurup, Chairman of KCMMF, Sri Kallada Ramesh, Chairman TRCMPU, Sri. Balan Master, Chairman ERCMPU and Sri. K.N. Surendran Nair, Chairman MRCMPU for their participation and co-operation.

The excellent support offered by NDDDB through their officers, Sri. S. Rajeev, Southern Regional Head, and Smt. Romy Jacob, Senior Manager, needs special mention and thanks. They had organised all our visits to NDDDB and other Federations, Regional Unions, dairies and cattle feed plants etc. outside the state, with utmost precision and care.

We owe our special thanks to the Chairman, Managing Directors and senior officers of NDDDB, GCMMF, AMUL, KMF, Telangana and Andhra Federations and Regional Unions.

Finally, we express our deep appreciation of the services rendered by our support staff, Sri. B. Sreekumar, Senior Dairy Extension Officer, Sri. V. Vinod, Dairy Farm Instructor and Sri. Praveen. P.S., Office Attendant. We also thank our experts who came on board to give their inputs on the financial aspects of MILMA and other technical support viz. Sri. V.N. Babu, Sri. George Joseph and Sri. Jayakrishnan Nair.

We cannot end this without offering our deepest gratitude to all the various stakeholders who had responded to our invitation to attend the district-level sittings and other meetings of the Committee particularly, the dairy farmers, representatives of dairy co-operatives, staff and employees organisations, elected representatives, retired experts and specialists.

Lida Jacob, Chairperson

Dr. V. Mukunda Das, Member

M.V. Sasikumar, Member

George Kutty Jacob, Member Secretary

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# CHAPTER 1

## INTRODUCTION

The dairy sector in Kerala has a long and interesting history. It has been the major means of livelihood for a large section of its rural population and is directly linked to the growth of agricultural production, especially in farmsteads. Kerala is also fortunate in having one of the earliest milk marketing co-operatives in India, the first Dairy Industrial Co-operative in Thirumala having been registered in Trivandrum District as early as in 1934. The Malabar area also had an umbrella organisation called the Calicut Milk Supply Union which was formed in 1939.

Elsewhere in India, private and Government initiatives in milk processing and distribution started in Bombay and in Madras in the late 1920s. In 1945 a dairy co-operative society was started in Anand, a taluk of Khaira District in Gujarat. This society which started with a collection of just 280 litres of milk per day is now the largest Co-operative Milk Producers Union in India and is popularly known as AMUL. It removed the exploitation by middlemen, resulting in fruitful returns to the co-operative organisations and dairy farmers. The role of leaders like Sardar Vallabhabhai Patel, Morarji Desai and Tribhuvandas Patel who pioneered the co-operative movement merits special mention. However, it was the arrival of a great son of Kerala, Dr. Verghese Kurien in 1949 as the person in charge of the technical wing of the dairy, that heralded a new era of success and growth in the dairy sector.

As indicated above, there were a number of agencies operating in the Travancore, Cochin and Malabar regions during the 1930s and 1940s that catered to the demand for milk in the urban areas. Thus, by the time of the integration of Travancore and Cochin in 1949 there were already 34 veterinary hospitals, 22 veterinary dispensaries and 12 stockmen stations in the integrated state. Besides this, artificial insemination(AI) was introduced in selected areas in 1952,

Hence at the time of the formation of Kerala State on 1st November 1956 there was a reasonably developed mechanism in place for cattle farming and breeding in the state.

### **Role of Animal Husbandry and Dairy Development Departments**

In this context, the role of the Animal Husbandry Department which was formed in 1956 is note-worthy, as Kerala can boast of having conducted the first Cattle Census in 1951. This offered a solid base for formulating the state policy and programmes for upgradation of the cattle stock, providing veterinary care and for arranging procurement and processing facilities for milk. The first Five Year Plan (1951-56), saw the establishment of five Key Village Schemes and Artificial Insemination centres to facilitate the upgradation of the extremely low- yielding and indigenous cows and buffaloes in the state. This was of utmost importance in view of the fact that the average productivity of cows in Kerala during that period was 366 lbs. equal to about 163 kg. as against the then all India average of 413 lbs. equal to 187 kg. per lactation.

The department implemented programmes for disease control through vaccination, disease surveillance and research work. Vaccine production and distribution was given importance besides training in cattle management and in providing healthcare for livestock covering all animals. All these initiatives led to the rapid growth of cross-bred cows through Artificial Insemination (AI).

It was with the formation of the Dairy Development Department in 1962 that this sector received a major impetus for development. The initial thrust of the department was the establishment of processing facilities in the major centres of the state. Accordingly, pasteurisation plants were set up in Trivandrum (6000 Ltrs.), Calicut (6000 Ltrs.), Ernakulam (10,000 Ltrs.), Palakkad (6000 Ltrs.), Kottayam (6000 Ltrs.) and Alleppey (3000 Ltrs.). 22 chilling plants were also es-



tablished. Another important activity undertaken by the department was the organisation of dairy co-operatives and promotion of an extensive cross-breeding programme from 1972 onwards by launching a massive AI programme through around 1000 artificial insemination centres as part of the Self-employment Programme of the Government. This helped to achieve a substantial increase in productivity per cow, from 166 kg in 1960 to 927 kg. in 1985-86/lactation. The other programmes taken up during this period include the Intensive Cattle Development Programmes (ICDP) that was implemented from 1968 onwards all over the state with special emphasis on hilly areas. It aimed at enhancing milk production through necessary technical and infrastructural support provided in four regional AI centres with 25 sub centres under each centre.

A major milestone in the genetic improvement of the cattle in the state was achieved by the Indo-Swiss Project Kerala (ISPK), a joint venture of Government of Kerala and the Swiss Development Corporation in 1963. The project was located at Mattupetty in Idukki District and its focus was on developing a breed of dairy cattle that was best suited to the local conditions. Semen of the Jersey breed and later, Murrah buffaloes was made available to the dairy farmers. ISPK became the Kerala Livestock Development and Milk Marketing Board (KLD & MM Board) in 1976. This Board has the monopoly right for the distribution of semen for AI throughout the state.

It also undertook the task of milk processing and marketing by utilising the existing infrastructure of Dairy Development Department. In addition to milk supply, particularly to the urban areas, KLD&MM Board had the responsibility to provide inputs for implementing the Breeding Policy, promotion of fodder cultivation and conduct of training courses in animal management and fodder production in the states.

**Table Nos. 1 (a) (b) and (c) indicate the cattle population, milk production and registration of dairy co-operatives during the period 1962 to 1980.**

**Table I(a)**  
**Cattle Population in Different Census Periods (In lakhs)**

<b>Year</b>	<b>Cattle</b>	<b>Buffalo</b>	<b>Indigenous (Cows)</b>	<b>Cross- bred(Cows)</b>
1951	21.84	4.67	NA	NA
1956	25.1	4.87	NA	NA
1961	27.53	4.85	NA	NA
1966	28.57	4.71	NA	NA
1972	28.56	4.72	NA	NA
1977	30.06	4.54	16.51	13.55
1982	30.97	4.09	16.44	14.53
1987	34.24	3.29	17.22	17.02
1996	33.96	1.65	11.09	22.86
2000	24.9	1.1	5.33	19.57
2003	21.22	0.98	3.87	17.35
2007	17.19	0.65	1.2	15.99
2012	13.29	1.02	0.77	12.52
ER-Cattle Census				

**Table 1(b)**  
**Milk Production in Kerala -1961-62 to 1979-80**

<b>Milk Production Kerala 1961-62 to 1979-80 (In Lakh Metric Tonnes)</b>									
	1961- 62	1962- 63	1973- 74	1974- 75	1975- 76	1976- 77	1977- 78	1978- 79	1979- 80
Total Milk Production Kerala	2.05	3.28	4.10	4.40	4.8	5.10	7.38	7.80	8.65
Source: Economic Review Kerala and Annual Report Dairy Development Department									

Table No 1(c)																	
No of Dairy Co-operative Societies Registered from 1962-63 to 1979-80																	
Year	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
No of DCS Registered	150	195	215	260	287	328	356	363	375	417	438	463	521	528	765	846	935
Source: Dairy Development Annual Reports																	

## **CHAPTER 2**

### **Operation Flood 2 and Development of MILMA**

Operation Flood (OF), the largest dairy project in the world was launched in India in 1970. The southern and central districts of Kerala were brought under its ambit in the second phase of the project (OF-2) in 1979. The major component of this project was the organisation of dairy farmers into primary dairy co-operatives based on the Anand pattern bye-laws to form APCOS (Anand Pattern Co-operative Societies). The existing traditional societies were also to be converted to APCOS. All these Societies would be brought under the Regional Unions that were to function as Co-operative Milk Producers Unions. The Regional Unions would come under the Co-operative Milk Marketing Federation thereby forming an integrated three-tier organisational structure.

The project was implemented based on an MOU between the Government of Kerala and the Indian Dairy Corporation, the national implementing agency for Operation Flood. [Govt. Order on the Agreement is at Annexure No. 1]

Accordingly, the Kerala Co-operative Milk Marketing Federation (KCMMF) was registered in February 1980 under the Kerala Co-operative Societies Act in order to implement the Operation Flood-2 programme in Kerala. Primary dairy co-operatives based on the successful Anand pattern and its bye-laws, were formed and registered under the name Anand Pattern Co-operative Societies (APCOS). This also involved the conversion of a large number of the existing traditional dairy co-operatives into the APCOS model of dairy co-operatives along with the formation of new APCOS. These constituted the village-level tier that functioned as the milk procurement network for the various dairies and chilling plants that were already operating in the state. In 1983 the entire milk processing and marketing functions of KLD&MM Board now renamed as KLDB, were transferred to KCMMF along with the brand logo MILMA.

### **Status of Primary Dairy Co-operative Societies as on 1991**

<b>Table No.2</b>			
<b>No of DCS as on 31/3/1991</b>			
<b>No of APCOS Societies</b>	<b>No of Traditional Societies</b>	<b>Total</b>	<b>No of Defunct Societies</b>
1212	787	1999	310
Source: Annual Report Dairy Development Department-1990-91			

The Trivandrum Regional Co-operative Milk Producers Union (TRCMPU) was established in 1985 and the Ernakulam Regional Co-operative Milk Producers Union (ERCMPU) was established in 1986 to make the dairy co-operative structure fully compatible with the Anand pattern. Thus all the critical areas, namely milk procurement, processing and marketing came within the jurisdiction of the Regional Unions. An extensive and successful milk collection, processing, and marketing system was established. This ensured a stable and remunerative market for the farmer and a reliable source of quality milk to the urban consumers. The brand name MILMA very soon became a household term for quality.

The National Dairy Development Board (NDDB) later took up the responsibility of implementing the second and third phase of OF in Kerala from the Indian Dairy Corporation. The State contribution came in the form of land required for setting up of various additional facilities and NDDB provided project funds on a 30% grant and 70% loan arrangement.

As a parallel project to OF, the North Kerala Dairy Project (NKDP), was implemented in 1990 to cover the remaining six districts which were in the Malabar region- Kasaragod, Kannur, Wayanad, Kozhikode, Malappuram and Palakkad. The Swiss Development Corporation (SDC) funded the developmental aspects and NDDB was a partner in the implementation.

The implementation of OF and NKDP brought about a significant enhancement in the procurement and sales of milk through the three Regional Unions. Along with this, the related projects by the Animal Husbandry and Dairy Development Departments, viz. genetic upgradation of milch animals, animal nutrition, veterinary services, fodder cultivation etc. contributed to the enhanced importance of the dairy sector in the state. The following table No. 3 will show that the annual production of milk increased from 12.20 lakh tonnes in 1984-85 to 21.20 lakh tonnes in 1995.

<b>Table No.3</b>															
<b>Milk Production in Kerala -1980-81 to 1994-95(In Lakh Metric Tonnes)</b>															
Year	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95
Total Milk Production Kerala	9.07	9.82	10.8	11.5	12.2	12.8	13.3	14.3	15.1	16	16.9	17.9	18.9	20	21.2
Source: Economic Review Kerala and Annual Report Dairy Development Department															

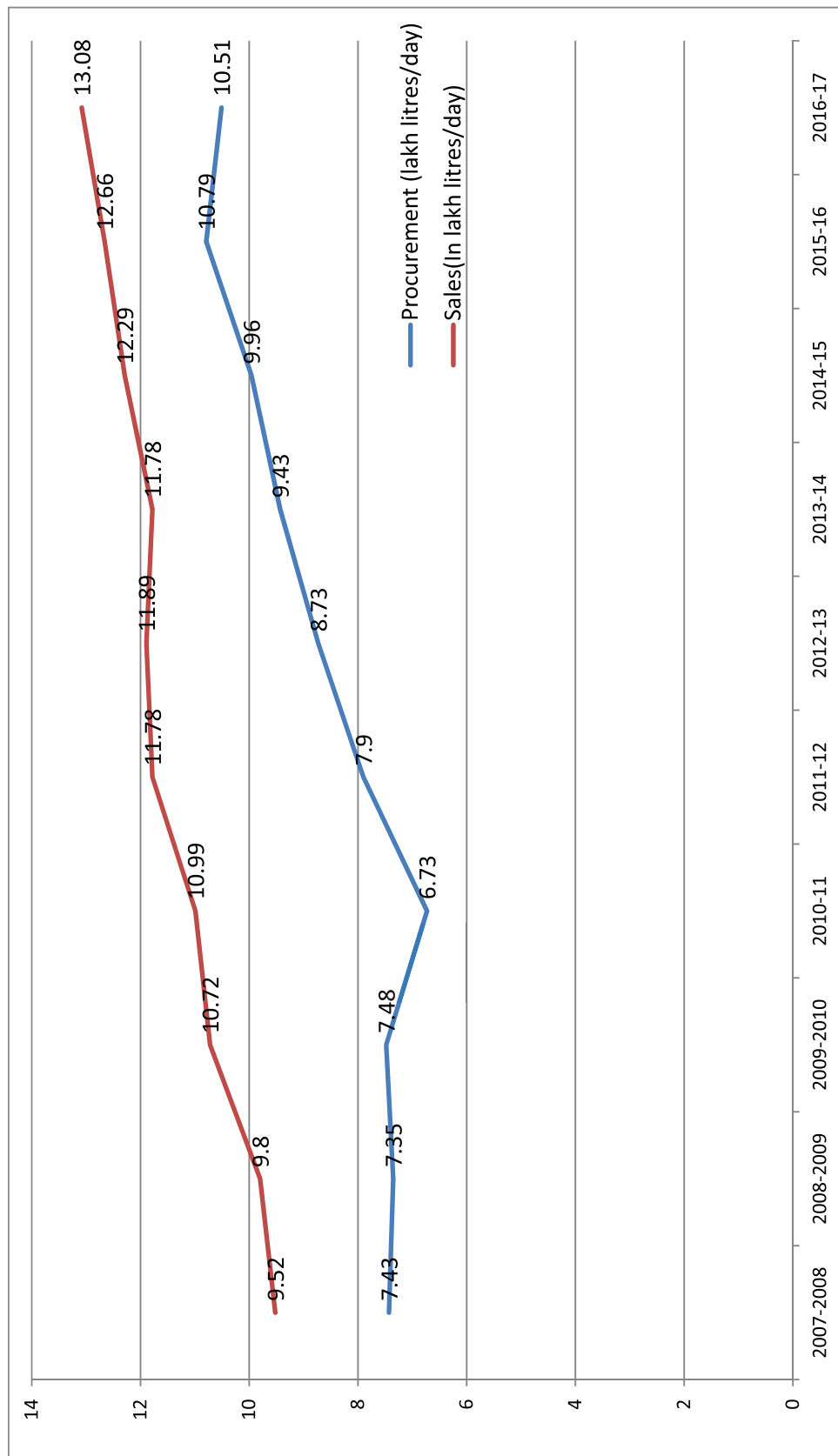
The increase in per capita milk availability has had a definite impact on the general nutritional and health status of the population of Kerala which has consistently attained the highest indicators in the parameters relating to health at the national level.

The various measures taken up for improving milk production, processing and sales helped the three Regional Unions to achieve significant progress in all their areas of operations as can be seen from the tables and graphs below.

## Procurement and Sales of three Regional Unions from 1982-83 to 2016-17

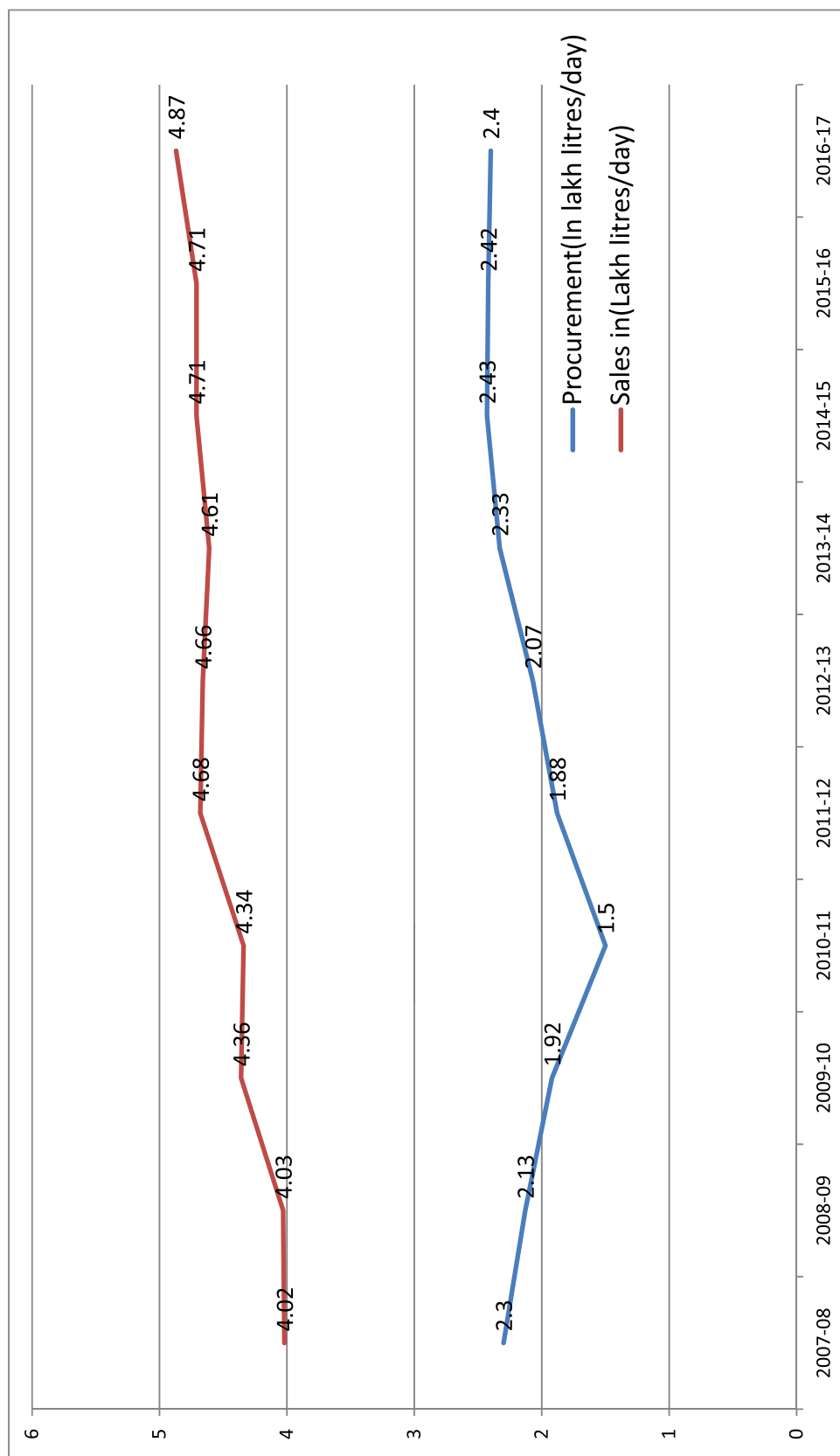
Table No.4				
Year	Procurement/ Year (in lakh litres)	Procurement/ Day (in lakh litres)	Sales/Year (in lakh litres)	Sales /day (in lakh litres)
1982-83	106.74	0.29	103.71	0.28
1983-84	114.98	0.32	135.33	0.37
1984-85	167.78	0.46	162.41	0.44
1985-86	190.96	0.52	193.90	0.53
1986-87	192.03	0.53	230.85	0.63
1987-88	524.73	1.44	541.63	1.48
1988-89	722.56	1.98	679.66	1.86
1989-90	730.50	2.00	767.57	2.10
1990-91	945.80	2.59	1111.28	3.04
1991-92	953.20	2.61	1087.39	2.98
1992-93	1194.92	3.27	1202.18	3.29
1993-94	1356.06	3.72	1394.00	3.82
1994-95	1487.38	4.08	1526.27	4.18
1995-96	1681.47	4.61	1728.59	4.74
1996-97	1638.93	4.49	1902.59	5.21
1997-98	1758.07	4.82	1955.58	5.36
1998-99	1712.29	4.69	2143.03	5.87
1999-00	2071.30	5.67	2207.56	6.05
2000-01	2326.93	6.38	2338.33	6.41
2001-02	2085.84	5.71	2415.84	6.62
2002-03	1947.13	5.33	2572.32	7.05
2003-04	2185.24	5.99	2677.46	7.34
2004-05	2381.07	6.52	2911.14	7.98
2005-06	2731.97	7.48	3099.74	8.49
2006-07	2903.12	7.95	3378.93	9.26
2007-08	2711.25	7.43	3473.28	9.52
2008-09	2682.97	7.35	3575.92	9.80
2009-10	2729.52	7.48	3911.96	10.72
2010-11	2456.66	6.73	4011.70	10.99
2011-12	2883.54	7.90	4298.01	11.78
2012-13	3187.69	8.73	4338.06	11.89
2013-14	3442.90	9.43	4301.00	11.78
2014-15	3636.09	9.96	4487.19	12.29
2015-16	3936.58	10.79	4622.41	12.66
2016-17	3834.34	10.51	4774.20	13.08
Source: Regional Unions				

# PROCUREMENT AND SALES OF MILK BY THREE UNIONS FROM 2007-08 TO 2016-17 IN LAKH LITRES/DAY

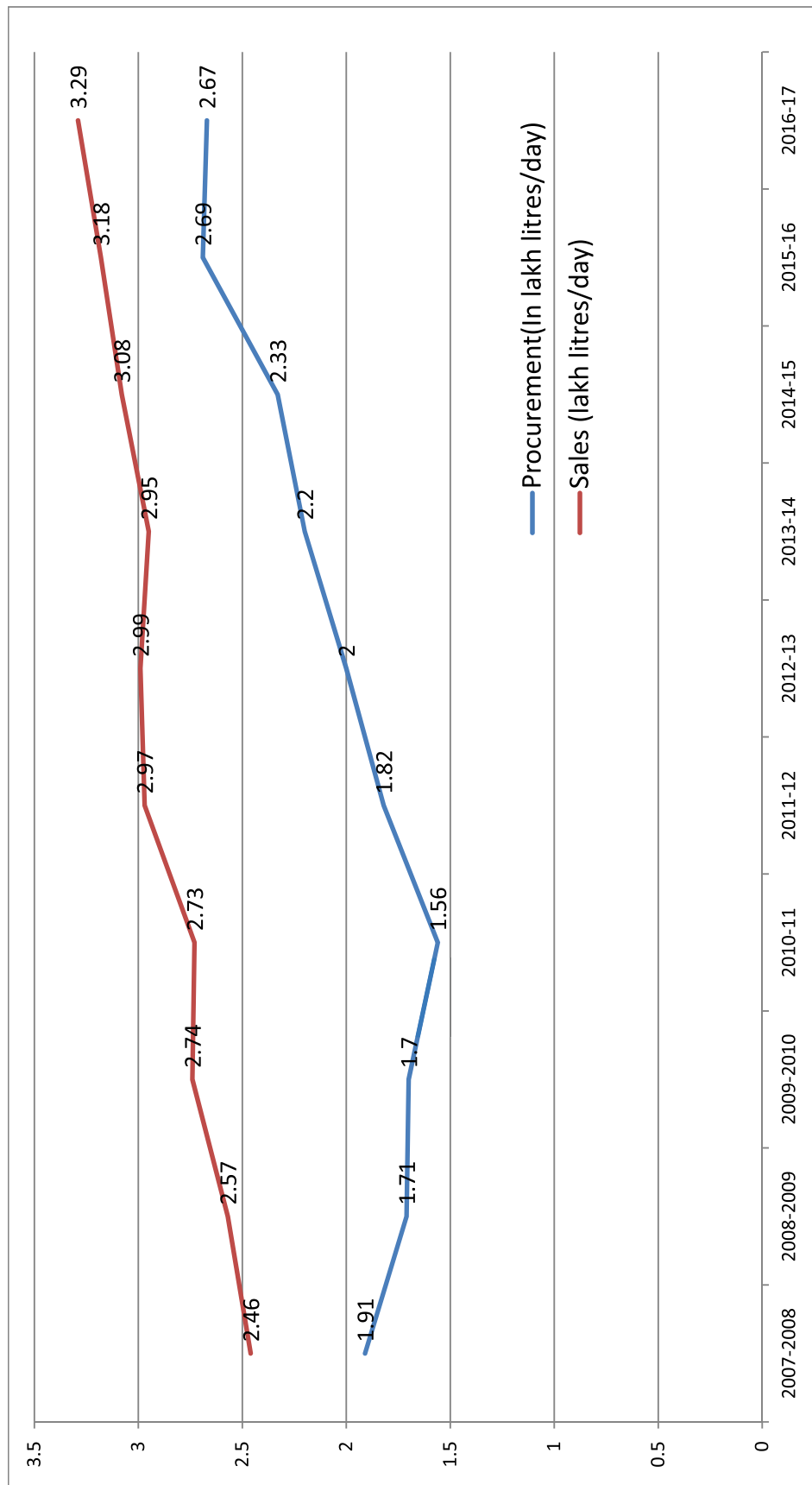




# PROCUREMENT AND SALES OF TRCMPU FROM 2007-08 TO 2016-17 IN LAKH LITRES/DAY



# PROCUREMENT AND SALES OF ERCMPU FROM 2007-08 TO 2016-17 IN LAKH LITRES/DAY



PROCUREMENT AND SALES OF MRCMPU FROM 2007-08 TO 2016-17 IN LAKH LITRES/YEAR

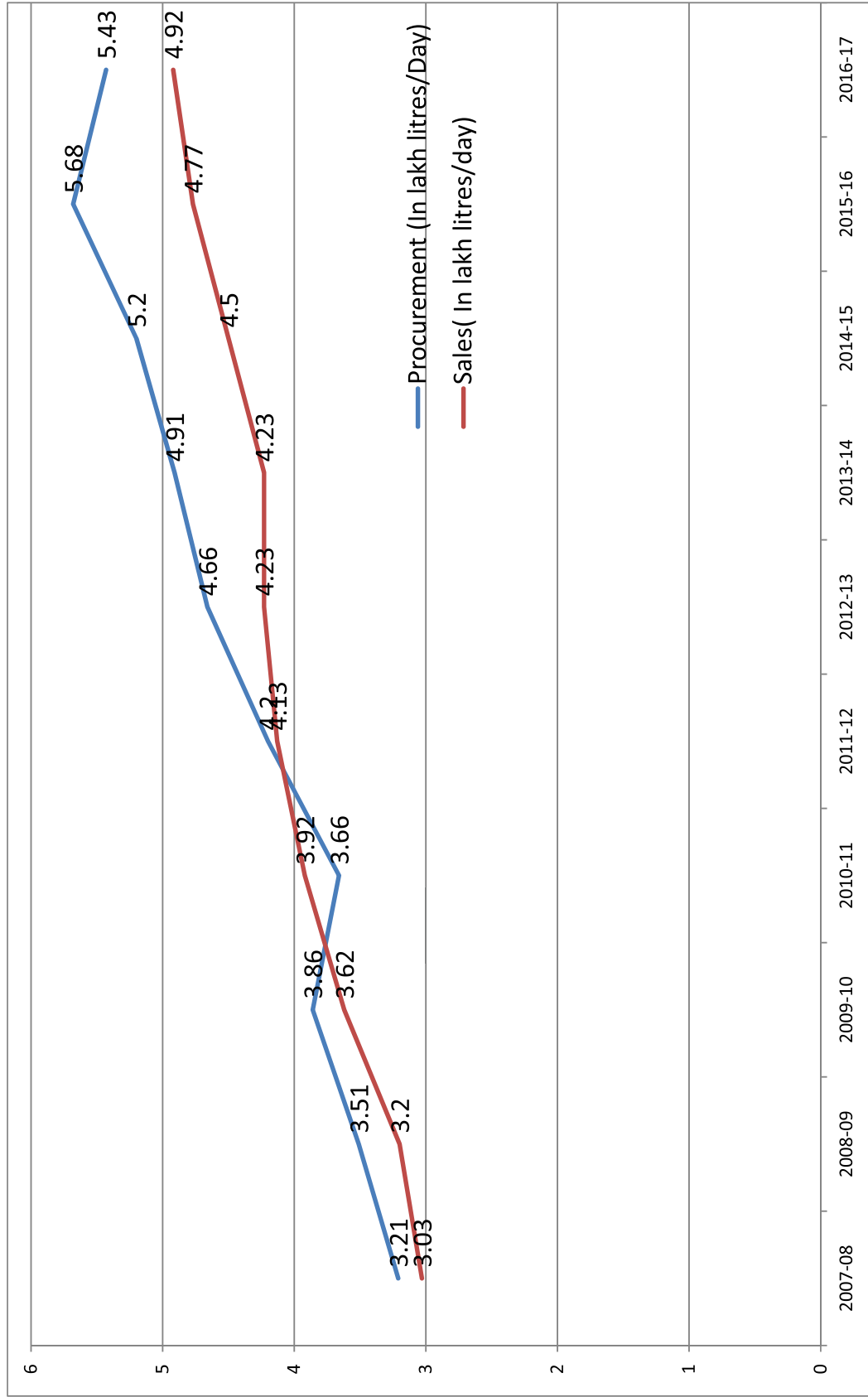


Table No.5 (a)							
Procurement of TRCMPU for the Last Five Years (in litres)							
Sl. No.	ITEM	UNIT	2012-13	2013-14	2014-15	2015-16	2016-17
1	From APCOS	LPD	185568	209882	219638	229975	229807
2	From Non APCOS	LPD	20948	22699	23341	11882	10606
3	From Other Unions	LPD	4194	11061	10857	20851	11492
	<b>Total</b>	LPD	<b>210710</b>	<b>243642</b>	<b>253836</b>	<b>262708</b>	<b>251905</b>
4	Outside State	LPD	179406	148089	184898	141170	189375
	<b>GRAND TOTAL</b>	LPD	<b>390116</b>	<b>391731</b>	<b>438734</b>	<b>403878</b>	<b>441280</b>

Table No.5 (b)							
Procurement of ERCMPU for the Last Five Years (in litres)							
Sl. No.	ITEM	UNIT	2012-13	2013-14	2014-15	2015-16	2016-17
1	From APCOS	LPD	196908	215186	229375	263677	262529
2	From Non APCOS	LPD	3475	4857	4008	5214	4416
3	From Other Unions	LPD	7040	5186	7422	6317	2920
	<b>Total</b>		<b>207424</b>	<b>225229</b>	<b>240806</b>	<b>275209</b>	<b>269864</b>
4	Outside State	LPD	91387	77642	77325	46431	65942
	<b>GRAND TOTAL</b>		<b>298810</b>	<b>302871</b>	<b>318131</b>	<b>321640</b>	<b>335806</b>

Table No.5 (c)							
Procurement of MRCMPU for the Last Five Years (in litres)							
Sl. No.	ITEM	UNIT	2012-13	2013-14	2014-15	2015-16	2016-17
1	From APCOS	LPD	449024	469752	500358	549569	525912
2	From Non APCOS	LPD	17416	20884	19467	18199	17234
3	From Other Unions	LPD	0	0	0	0	0
	<b>Total</b>		<b>466440</b>	<b>490636</b>	<b>519825</b>	<b>567767</b>	<b>543145</b>
4	Outside State	LPD	16787	14569	11929	10445	36643
	<b>GRAND TOTAL</b>		<b>483227</b>	<b>505205</b>	<b>531754</b>	<b>578212</b>	<b>579788</b>

From the above graphs and figures it can be seen that 3199 dairy co-operative societies together collect around 16 lakh litres of milk per day. Of this, after local sales, around 11 lakh litres per day are sent to the dairies which effect sales of around 13 lakh litres per day. The dairy farmer receives an average amount of Rs.34.14/litre for milk containing 4.1% Fat and 8.3% SNF and an amount of Rs.31.65 for milk having 3% Fat and 8.5% SNF. The dairy co-operatives receive a margin between Rs.1.62 to Rs.1.73/litre.

The processed milk is sold at an average price of Rs.40/litre in the market and conforms to 3% Fat and 8.5% SNF termed as toned milk. The costs to Regional Unions covers handling, transportation, processing, packaging, transportation to dealers and commission to wholesale and retail dealers, advertising cost, royalty payment etc. apart from costs relating to upkeep and maintenance of equipment. Surplus milk and components are utilised for preparation of value-added products.

The farmer also receives additional payments in the form of incentives; cattle feed subsidy, additional milk value etc. from the Regional Unions from time to time. The state government further supplements these earnings of the farmer with incentives amounting to Rs.4/litre (Rs.1 from Dairy Development Department and Rs.3/litre from LSGD) This is paid for varying periods during the year based on the fund availability of the departments concerned. These incentives are paid to those farmers who supply milk through dairy co-operative societies.

Despite the achievements brought about in the field, there is a huge scope for further enhancing the reach and productivity parameters in dairying. The entry of a large number of educated youth including NRIs indicates the possibilities and potential of this sector. It is therefore vital that all the required infrastructure and facilities are made available for the activities connected with dairying in the state. This will include timely AI to be made available at the farmers' doorstep with effective cold chain extension. Any improvement in productivity and avoidance of delay in AI will contribute directly to the income of the farmer.

The state economy will also benefit from this sector in the coming years in terms of productivity and employment generation. Availability of quality milk and milk products will also result in enhancement of general health and nutritional status, especially that of women and children. It is necessary to develop greater linkages between the Agriculture Department and the dairy sector in the form of land for fodder cultivation, new fodder materials, scientific use of agricultural residues, cow dung, urine and other items so that substantial benefits can be accrued particularly for homestead farming .

Under the Kerala State Poverty Eradication Mission popularly known as Kudumbasree, priority is given to dairying and goat farming. It aims to integrate production and marketing of agricultural and livestock products which will help to attain self-sufficiency in milk, eggs, meat, vegetables and fruits, locally.

## **CHAPTER 3**

### **Important Initiatives of Government Departments and Agencies**

#### **Dairy Development Department**

The Department of Dairy Development has been implementing various projects and schemes for the development of dairy co-operatives as well as the dairy farmers of the state. The department is also implementing various quality control activities and has taken steps to ensure quality milk production at both farmers' level and society level so that quality milk and milk products are available to consumers. The major schemes include, Milk Shed Development Programme (MSDP) with an outlay of Rs.41.79 crores for providing assistance for starting dairy units, establishment of heifer rearing units, assistance to existing farmers, construction of cattle sheds, supply of milking machines etc. As part of this programme, 51 dairy zones were established and 5 panchayaths were selected as "Ksheera Gramam" with special focus and support for milk production.

The Department is also implementing a major project earmarking Rs. 25.85 crores during 2017-2018 for modernization of dairy co-operatives. The activities under this project are, assistance for Farmers Facilitation Centres, construction of milk collection centres/ godowns, need- based assistance to dairy co-operatives, supply of automatic milk collection units, unified software for dairy co-operatives etc.

The department is the nodal agency for fodder development and is implementing fodder development programmes for Rs.6 crores which include supply of fodder slips, technical assistance for fodder cultivation, commercial fodder cultivation through self-help groups, barren land fodder cultivation, azolla cultivation, fodder trees etc.

It has also formulated a project for providing cattle feed subsidy to farmers @ Rs.1/litre of milk poured in the society for which an amount of Rs.14 crores is earmarked in the budget for the year 2017-18.

Besides this, under the scheme for strengthening of quality control activities, the Department has started a quality control laboratory at Meenakshipuram in Palakkad district to monitor the quality of milk and milk products brought in from other states. The Department also proposes to start Quality Check Posts at Parassala (Thiruvananthapuram) and Aryankavu (Kollam). The Department has one NABL accredited State Dairy Laboratory at Thiruvananthapuram, three regional dairy laboratories (Palakkad, Kottayam and Kasaragod) and 14 district quality control laboratories. The state dairy laboratory is equipped with sophisticated and modern equipment for analysing the quality of milk, milk products, water and cattle feed samples.

Rs.7.43 crores is earmarked for assistance to KCMMF (MILMA) for developing its infrastructure during 2017-2018

The total Plan outlay during 2017-18 is Rs. 138.07/- crores.

### **Local Self Government Department**

A major portion of the state plan goes to the 3 tier Local Self Government Institutions (LSGIs) ie, District, Block and Grama Panchayats. LSGIs are implementing various projects and schemes related to the Animal Husbandry and Dairy Development sector by utilizing their funds. Schemes for assisting individual farmers are being implemented by Grama Panchayats by pooling the allocated funds of Grama Panchayat, Block Panchayat and District Panchayat. One of the major programmes implemented by LSGIs is the payment of incentive of Rs.4/litre (which includes the department subsidy of Rs.1/litre), to farmers who supply milk to the primary dairy co-operatives, based on fund availability. It is estimated that almost 80% of the Grama Panchayats are implementing this project. Besides this, some LSGI's have formulated schemes to offer assistance for starting dairy units, construction of cattle sheds, fodder development activities, quality control activities etc. LSGIs had also implemented various



projects to strengthen and support the primary dairy co-operatives by providing infrastructure, assistance for the construction of office building, Automatic Milk Collection units, and other dairy equipment during 2017-18. It is estimated that projects worth around Rs. 250 crores were formulated and implemented in the state for the development of the dairy sector during 2017-18.

Since the Dairy Development Department does not have Panchayat-level field officers or institutions, some LSGI's are implementing the various schemes related to this sector through Animal Husbandry Department.

### **Animal Husbandry Department**

The Animal Husbandry Department is implementing various schemes which include Special Livestock Breeding Programme (SLBP). Animal Health Care Breeding Support, Emergency Veterinary Service during Night Hours, Production of vaccine in Institute of Animal Health and Veterinary Biologicals etc.

SLBP, which is a calf rearing programme of subsidising cattle feed for rearing cattle up to 32 months along with health cover and insurance, is one of the major initiatives of the Animal Husbandry Department and 73538 calves were covered under this programme during 2016-17. The Department provides veterinary care mainly through 14 district veterinary centres, 50 veterinary polyclinics, 215 veterinary hospitals, 885 veterinary dispensaries, 38 Regional Animal Husbandry Centres, 1359 veterinary sub centres, 9 mobile veterinary hospitals, 7 mobile farm aid units and one motor boat veterinary hospital. Now the Department in liaison with the respective LSGI's, is undertaking mass vaccination programmes like, FMD Control Programme, Rabies-free Kerala Vaccination Programme etc. to eradicate contagious diseases.

The Department has also formulated a programme to provide veterinary care during night hours from 6 p.m to 6 a.m at block level, utilizing the service of

a veterinary practitioner on contract basis. Emergency veterinary care during night hours was established in 65 selected blocks during 2016-17 which will be extended to 85 blocks during 2017-18. The Department is also implementing a Comprehensive Insurance programme for livestock in the state.

The total Plan outlay for Animal Husbandry Department during 2016-17 was Rs. 249.48 Crores.

### **Kerala Feeds Limited**

Kerala Feeds Limited is a public sector undertaking established under the Government of Kerala for the production of good quality compounded cattle feed and feed supplements for supply to dairy farmers at affordable rates. It has 3 cattle feed plants at Kallettumkara, Karunagapally and Kozhikode with a total capacity of 900 tonnes/day. The average capacity utilisation for the last five years is 75.48 %. The budget allocation for 2016-17 & 2017-18 was Rs.7.49 crores and Rs. 7.41 crores respectively. Construction of the fourth cattle feed manufacturing unit of 500 tonnes/day at Arikuzha in Idukki district is in the final stage. It has a hi-tech Mineral Mixture manufacturing unit of 10 tons per day at Athavanad in Malappuram district. Kerala Feeds Ltd also produces and markets Densified Fodder Blocks from its unit at Muthalamada in Palakkad district.

<b>Table No.6</b>		
<b>Year wise Total Production &amp; Sales for the Last Five Years</b>		
<b>Year</b>	<b>Production (in metric tones)</b>	<b>Sales (in metric tones)</b>
2013-14	228946.02	226031.49
2014-15	237270.47	239060.34
2015-16	249688.37	249737.52
2016-17	218738.85	217941.49
2017-18	191869.19	191816.04

It is expected that once the above infrastructural facilities are in place, the Kerala Feeds Limited will be in a position to produce and supply quality cattle feed and feed supplements to dairy farmers at a reasonable price thus protecting them from exploitation by private entrepreneurs.

### **Kerala Livestock Development Board (KLDB)**

The main objective of Kerala Livestock Development Board is to provide inputs required for cattle breeding in line with the Breeding Policy of the state. The activities of the Board include supply of frozen semen, production and supply of fodder seeds, organising practical training programmes on various aspects connected with livestock and fodder production etc. Kerala Livestock Development Board has three semen stations at Mattupetti, Dhoni and Kulathupuzha with total production of about 3 million doses of frozen semen annually. Kerala Livestock Development Board is maintaining around 250 adult bulls of different breeds and offers short term training courses of 1-6 weeks duration for field technicians and professionals. The Budget provision for 2016-17 was Rs. 2000 lakhs.

### **The Kerala Dairy Farmers' Welfare Fund Board (KDFWFB)**

The Kerala Dairy Farmers' Welfare Fund Board constituted by the Government of Kerala aims at providing welfare measures to dairy farmers who supply milk to dairy co-operatives registered under the Department of Dairy Development. A dairy farmer above 18 years of age who has poured 500 litres of milk in any of the primary milk cooperatives in Kerala is eligible to apply for membership in the Kerala Dairy Farmers Welfare Fund (KDFWF). At present around 2.77 lakh dairy farmers have enrolled as members.

The primary objective of the Fund is to allot monthly pension to those having poured 500 litres of milk for five years in any of the primary milk co-operatives,

on acquiring 60 years of age. Benefits like Disability Pension, Family Pension to the close relatives of deceased pensioners, marriage assistance, scholarships, assistance for illnesses, accidents and accidental deaths and annual awards to best farmers etc. also are envisaged.

The Fund required for the activities is raised through contributions from dairy farmers, milk co-operatives, Regional Milk Unions and Government contribution.

**The Functions of the KDFWF Board is Summed up as Follows:**

<b>Table No.7</b>			
<b>Sl. No.</b>	<b>Assistances</b>	<b>Eligibility</b>	<b>Amount</b>
1.	Enrolment	Dairy farmers pouring at least 500 litres milk in a dairy co-operative in a financial year	Membership registration fee Rs.100/-.
2.	Pension	KDFWF Member Pouring minimum of 500 L of Milk for 5 years and completed 60 years of age	Rs.1100/- per month
3.	Family Pension	Legal Heir of Pensioner	Rs.150/- per month
4.	Invalid Pension	KDFWF member & those who become physically invalid and cannot continue cattle rearing	Rs.500/- per month
5.	Marriage assistance to daughter of Dairy Farmer	All members of KDFWF	Rs. 5000/-
6.	Cremation Assistance	On the event of death of Dairy Farmer	Rs. 3000/-

7.	Ksheera Suraksha Scheme	Eligible Members of KDFWF	Death due to Accident Rs.50,000/- Permanent Total Disability due to stroke & accident Max Rs.10,000/. Treatment of critical illness like cancer, cardiac diseases, nephritic diseases etc. Rs.15,000/ Treatment of contagious diseases, Zoonotic disease, Snake bite, Anti rabies inoculation, Treatment of Serious injury-Max Rs.2,000/-.
8.	Education Scholarship	Children of KDFWF members	SSLC-Rs.1,000/- Plus 2-Rs.1500/- Degree-Rs.2000/- Professional courses-Rs.2,500/- (one time payment)
9.	Awards	Best Dairy Farmer	State level- Rs.5000/- District Level- Rs.5000/-
Source: Kerala Dairy Farmers Welfare Fund Board			

### **Linkages of Agriculture Department with Dairy Sector**

The Department of Agriculture has an important role to play in promoting dairy sector as the linkages between agriculture and dairying are of a mutually supportive nature. Dairy farming is one of the essential aspects of the agricultural activities in providing organic manure, use of agricultural by- products and crop residues. Dairying also provides immediate income to farmers who go for

perennial and long -term crops. The paddy fields not used for third crop could be profitably utilized for the cultivation of short- term fodder crops like maize, jowar, cowpea etc. Efficient use of locally available agri-wastes like paddy straw, maize stalks, jack fruit, banana stems and leaves, coco-husk, tapioca, arecanut sheaths etc. as cattle feed and roughage, will reduce the cost of cattle rearing and increase the farmer's income.

The cultivation of fodder grass especially the high yielding varieties like hybrid Napier in fallow lands, needs to be promoted on a large scale by the Agriculture department. This could be taken up in association with the local bodies utilising services of Kudumbasree and self help groups. The fodder could be sold to the dairy farmers at concessional rates through the dairy co-operatives. The fallow land especially plots that are not suitable for paddy cultivation, could be taken on lease agreement from the land owners by the local body for a period of at least 2 years for this purpose. There is the added advantage of these lands becoming suitable for cultivation of other crops subsequently.

It is also to be noted that the services of dairy co-operative societies could be utilized for procuring and sale of agricultural products. This will ensure a reasonable price and steady market for the local produce of farmers. The society could also act as an agency for the sale of inputs and agricultural implements. These diversified activities will increase the income of primary dairy co-operatives as well as attract more farmers to the co-operative sector. Close co-ordination of various departments like Animal Husbandry, Dairy Development, Agriculture and Local Self Government and other related agencies is one of the demands of the dairy farmers as it is essential for the integrated development of the entire spectrum of agriculture and dairying.

### **Implementation of National Dairy Plan**

National Dairy Plan Phase I (NDP I) is a Central Sector Scheme for the period 2011-12 to 2018-19. NDP I will be implemented with a total investment of about Rs.2242 crores comprising Rs.1584 crores as International Development

Association (IDA) credit, Rs.176 crores as Government of India share, Rs.282 crores as share of End Implementing Agencies (EIAs) that will carry out the projects in participating states and Rs.200 crores by National Dairy Development Board and its subsidiaries for providing technical and implementation support to the project.

## **Objectives**

NDP I is a scientifically planned multi-state initiative with the following Project Development Objectives:

- i. To help increase productivity of milch animals and thereby increase milk production to meet the rapidly growing demand for milk.
- ii. To help provide rural milk producers with greater access to the organised milk-processing sector.

These objectives would be pursued through adoption of focused scientific and systematic processes in provision of technical inputs supported by appropriate policy and regulatory measures.

## **Project Area**

NDP I will focus on 18 major milk producing states namely Andhra Pradesh, Bihar, Gujarat, Haryana, Karnataka, **Kerala**, Madhya Pradesh, Maharashtra, Odisha, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh, West Bengal, Telangana, Uttarakhand, Jharkhand and Chhattisgarh which together account for over 90% of the country's milk production. Coverage of NDP I will however be across the country in terms of benefits accruing from the scheme.

The Major Components of NDP-1

### **[A] Productivity Enhancement**

Strengthening existing semen stations and setting up new semen stations for increasing bovine productivity through a scientific approach to animal breeding and nutrition. Resulting in

- i. **Increased milk production through increased productivity per milk animal.**
- ii. **Increase in in-milk animals.**
- iii. **Improved AI conception rates from 4 inseminations to less than 2 AI per calving. Additionally, trained Mobile AI Technicians to ensure AI and veterinary services at farmers doorsteps based on Standard Operating Procedures (SOPs), through a professional service provider including animal tagging and performance record.**
- iv. **Improved animal nutrition, reduction in feeding costs per Kg of milk produced and reduction in methane release per Kg of milk produced by animals covered under Ration Balancing Program (RBP).**
- v. **Fodder Development - Extension initiatives/interventions for fodder development, including support for improved fodder seed production, fodder production on contract, demonstrations for silage making, and reducing wastage of dry fodder through enrichment & densification.**

[B] Village Based Milk Procurement Systems (VBMPS) for weighing, testing quality of milk received and making payment to milk producers in a systematic and transparent manner.

This would cover:

- i. Milk weighing, testing and collection.
- ii. Milk cooling.
- iii. Support for creating institutional structure.
- iv. Training.

### **[C] Project Management and Learning**

The main expected results under Component C are effective coordination of project activities among various EIAs, timely preparation and implementation of annual plans, regular review and reporting of project progress and results, a



comprehensive and functional project Management Information System (MIS) and learning that will support improvement and innovation.

- i. Under the ICT based MIS, collection of data and dissemination of information related to breeding, health care, nutrition and village based milk procurement systems will be computerised and easily accessible.
- ii. INAPH, the software developed by NDDB is to be implemented in the state by the Animal Husbandry Department in order to track the health, nutrition, pregnancy, milk production, illnesses, management and all other relevant details for tracking the individual animal from birth to death.
- iii. Government of Kerala will have to commit to certain regulatory/policy support in order to fulfil the eligibility criteria under NDP. Some of them are:-
  - Formulating an appropriate Breeding Policy for the state.
  - AI delivery services not being notified under Minor Veterinary Services (MVS).

With these measures in place Kerala can benefit greatly from the various programmes being implemented under NDP, particularly the Animal Husbandry Department, KLD Board and KCMMF.



**AUTOMATIC PEDDA PACKING MACHINE - WAYANAD DAIRY**

## CHAPTER 4

### **MILMA-Present Status and Constitution of an Expert Committee**

Through the formation and operation of the KCMMF and the three Regional Unions, the dairy sector has achieved a system and structure that has facilitated a progressive trend in production, procurement, and sales besides maintaining a steady price to the consumer. The dairy farmer is assured of remunerative returns, incentives and various inputs including cattle feed, capacity building and technical knowhow. It has increased the participation of women in dairying as also diversification into value added milk products.

KCMMF and the two Regional Unions (TRCMPU & ERCMPU) formed under OF-2 and MRCMPU formed under NKDP have now been in the field for the past 37 years and 28 years respectively, during which period the dairy sector has emerged as an important instrument both for livelihood security and for the state's overall economic development. The Anand Pattern of co-operatives has helped to retain and enhance the viability, steady growth and profitability of the three organisations under the name MILMA. The Anand Pattern is acknowledged and praised as a model to be emulated for new schemes like organic farming of vegetables and fruits in the state. It is also to be noted that, on the whole, the organisations of MILMA have not suffered losses in recent years, while the majority of the other co-operative organisations in Kerala are functioning under heavy losses requiring considerable financial support from the state government, like SC/ST Fed, MarketFed, ConsumerFed, RubberMark, LabourFed, Housefed etc.

However it is necessary to undertake a detailed examination and stock-taking of the performance of the four organisations and the primary dairy co-operatives, in order to assess their respective roles, present status and ability to achieve the higher targets and potential of this sector. This is particularly necessitated by the changes and challenges that have emerged in recent times with more and

more important players coming into the arena. Some of the challenges are those posed by large corporates and co-operatives both within and outside the state. Due to the lower rate paid for milk procurement in neighbouring states, these dairies are able to sell milk and milk products in Kerala at more competitive rates. They can also offer attractive commission packages to the dealers which will result in greater volume of sales for these competitors.

Apart from the above, is the threat of large milk exporting countries like Australia and New Zealand entering the Indian market through the Regional Comprehensive Economic Partnership (RCEP) Free Trade Agreement (FTA). This is a grouping of the 10 ASEAN countries plus India, China, Japan, South Korea, Australia and New Zealand. Under this Agreement, the tariff rates of agricultural products including milk and milk products are to be reduced at an average of 0 to 3% in place of the existing 32.5% for agri- products. This will result in a sizeable share of the internal market being taken over by reputed international branded products from countries like Australia and New Zealand. If the negotiations go through, India will have to open up its markets for more than 90% of their traded goods. At the same time, export of Indian milk to these countries will be almost impossible at present, due to stringent quality stipulations. These countries also remain reluctant to India's proposal to allow free movement of Indian skilled professionals in the RCEP region. It is learnt that the considered opinion of the central ministries concerned including defence, economic affairs and agriculture, is that such a step will hurt India's interest severely. Hence the state government will have to study the implications of such measures and take up the issue with Government of India in order to bring in appropriate safeguards to support the dairy sector.

Similarly, large scale introduction of 'A2 milk' of pure breeds like Gir, Kankaraj, Sahiwal, Red Sindhi etc. from Brazil and some European countries is likely to

affect the sales of milk in our niche markets to some extent. The bulk of the milk produced in our country is classified as “A1 milk” being milk from cross breed animals. Hence the three-tier organisation ie, MILMA has to be systematically empowered to meet these challenges, to respond to the changes and rise to the growing expectations of the dairy farmers and the consumers.

### **Constitution of an Expert Committee**

Government of Kerala have set a target to achieve self-sufficiency in milk production by the end of 2018 along with the prosperity of the dairy farmer. Dairying is acknowledged as an important source of livelihood with the scope for increased self-employment especially for women, resulting in enhanced nutritional levels.

The Vision Document of the Dairy Development Department requires it,

- TO TAKE A LEAD ROLE IN MAKING THE STATE SELF - SUFFICIENT IN MILK PRODUCTION AND FODDER PRODUCTION,
- BY STRENGTHENING THE DAIRY CO-OPERATIVE SECTOR, THEREBY
- ENSURING FAIR PRICE FOR THE MILK PRODUCERS AND QUALITY MILK FOOD FOR THE GENERAL PUBLIC.

There is therefore an urgent need to sustain the growth rate in milk production to bridge the demand-supply gap, develop cost-effective strategies for sustainable dairy farming to enhance the contribution of the dairy sector to the state's economy.

Government had in 2009 appointed a Committee under the chairmanship of Sri. R. Heli to submit recommendations to attain self-sufficiency in the production of milk, meat and eggs. The Committee inter alia, had recommended that “KCMMF being a huge farmers' co-operative organization handling the collection and distribution of milk in the State faces many challenges and that

the 30 year old organization should be revamped as a vibrant system capable to rise to any height to plan and face any challenge and help the government and society to assure a peaceful climate of plenty in the dairy sector.”

With the various support services and extension services being carried out in the state, the intention of Government to achieve self-sufficiency in milk production by December 2018, is clearly an attainable goal. Now that MILMA has completed 37 years of its existence, it has become necessary to take stock of the present situation so as to ensure the presence of strong and robust structures that can take forward the business of milk procurement and sales, in a professional and efficient manner. This exercise should benefit the dairy co-operative societies and the other stakeholders.

It is in the above context, that Government of Kerala have constituted an Expert Committee in July 2017 to study all aspects related to this sector with 10 items as Terms of Reference. The Government Order issued in this regard is given below.



**GROUP DISCUSSION - WORKSHOP THIRUVANANTHAPURAM**

## GOVERNMENT OF KERALA

### Abstract

Agriculture (Dairy) Department – Comprehensive study of Three – Tier Dairy Co-operative structure in Kerala – Committee Constituted – Orders issued.

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### AGRICULTURE (DAIRY) DEPARTMENT

G.O.(Rt)No. 74/2017/DD

Dated, Thiruvananthapuram,  
30/06/2017.

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Read:- 1) G.O.(P) No. 183/79/AD dated 27.04.1979.

2) G.O. (Ms) No.27/09/AD 03.02.2009.

3) Letters No:G1/8792/2015 dated 14/10/2015, 11/12/2015 and 11/07/2016 from the Director, Dairy Development Department Kerala, Thiruvananthapuram.

4) Letters No: D3/8765/2017 Dated 05/06/2017 from the Director, Dairy Development Department, Kerala, Thiruvananthapuram.

### ORDER

As per G.O. read as I paper above the Kerala Co-operative Milk Marketing Federation Ltd (KCMMF) was formed at the initiative of the State Government to implement the Operation Flood II Programmed based on a tripartite agreement between National Dairy Development Board, Indian Dairy Corporation and Government of Kerala. The main objective of KCMMF (MILMA) is to carry out activities for promoting production, procurement, processing and marketing of milk and milk products for the socio-economic development of the farming community through replication of the successful Anand Pattern dairy co-operative system. Kerala being a small state, unlike in other States, 3 Regional Milk Unions were formed between 1985-1989 and then onwards the three tier co-operative dairy structure is functioning in the State. In addition to the nearly 3000 Anand pattern Co-operative Societies functioning at grass root level, most of which are



affiliated to the Regional Milk Unions, there are more than 400 traditional dairy co-operative societies also.

2) Over the last 37 years, Milma has built up a network of farmers' institutions through which on an average 12.00 lakh litres of milk per day is sold, nearly Rs.2800/- crores per annum is earned as sales turnover and a sizeable share of the same is passed on as milk value to the primary dairy co-operatives. It could develop a network of co-operatives which helped to overcome the complexities of a large yet fragmented market by creating value for suppliers as well as the customers. This success was achieved within the framework of a network of co-operatives organized in a hierarchical manner – Primary Dairy Co-operative, Regional Milk Union and the State Federation.

3) The Co-operatives, especially dairy co-operatives, face new challenges that test the robustness of their approach and their commitment to the movement and requires a new style of management thinking. It is unclear whether Milma's Structure, Strategy and Practices that have hitherto worked till now can maintain this growth path in a changing environment with globalization and increased competition. It is necessary to have a revisit on the functioning of the three-tier Co-operative Dairy structure in the State, to initiate appropriate policy interventions which would help them to face the challenges in the future. Such a measure is highly inevitable in the light of the fast changing socio economic environment, especially in the liberalized Indian business environment.

4) As per G.O. read as 2<sup>nd</sup> paper above. Government had appointed a committee under the chairmanship of Sri. R. Heli to submit recommendations to attain self-sufficiency in the production of Milk, Meat and Egg. The Committee inter alia, had recommended that 'KCMMF being a huge farmers' co-operative organization handling the collection, distribution of milk in the State faces many challenges and that the 30 year old organization should be revamped as a vibrant system capable

to rise to any height to plan and face any challenge and help the government and society to assure a peaceful climate of plenty in the dairy sector’.

5) Hence Government of Kerala wishes to constitute an Expert Committee with the following members to look into the various aspects related to KCMMF, Regional Milk Unions and Primary Milk Co-operatives. The above Committee will undertake a detailed study of the working and functioning of the three-tier organisation and suggest specific, precise and practical recommendations for the overall growth of the dairy sector.

Smt. Lida Jacob, IAS (Retd)	Chairperson
Former Secretary to Government and Ex. Dairy Development Commissioner	

2) Dr. V. Mukunda Das	Member
Director, Chandra Gupta Institute of Management, Patna, Bihar.	

3) Sri. Sasikumar. M.V	Member
Director-in-charge Institute of Co-operative Management, Parassinikadavu, Kannur, Kerala – 670 563.	

3) Sri. Georgekutty Jacob	Member Secretary
Director, (Rtd) Dairy Development Department	

6) The Terms of References for the Committee are as detailed below:-

1. To critically examine the present day administrative, functional and financial structure of the three-tier dairy co-operative structure (Milma) and its various operations.



2. To look into what extent MILMA has attained the set goals and objectives for which the organisation was constituted.
3. To review the operational area of the existing three Regional Milk Unions under KCMMF.
4. To assess how far the human, financial and infrastructural resources were optimally utilized in the federation and in the three regional milk Unions.
5. To identify the challenges being faced by the co-operative dairy sector and to suggest measures to address them to enable the movement to keep pace with the changing socio-economic environment.
6. To examine the role being played by similar institutions in the country in terms of managerial practices, innovations etc, and to suggest appropriate measures and good practices followed by them which could be adopted by Milma. The Committee may also suggest ways to enhance the business and professional efficiency of the organisation.
7. To study various models of re-structuring and to suggest a best suited model for Milma to improve its operational efficiency and financial management. The Committee may also examine whether the State Federation and the three Regional Milk Unions can be amalgamated to form a single cooperative entity with a view to ensure more professional financial and operational efficiency that would deliver competitive advantage in terms of scale and uniformity in decision making and farmers' welfare. If so, the Committee may recommend appropriate legal and policy framework to comply with the suggestion.
8. To suggest appropriate Human Resource Strategies which would help in the efficient utilization of the skilled manpower available within the organization and also to meet its future requirements.
9. Suggest appropriate measures for strengthening the linkages with department/

organizations in the sector namely Dairy Development Department, National Dairy Development Board, Animal Husbandry Department and Kerala Livestock Development Board to achieve synergy of the sector which would help in achieving self-sufficiency in milk production.

10. Any other incidental or consequential issue as deemed necessary by the Committee for its consideration.

7) The 4<sup>th</sup> member Georgekutty Jacob, Director, Dairy Development Department will retire on 30<sup>th</sup> June 2017. Hence Government are pleased to utilize his long term experience in Dairy Sector and he will serve as Member Secretary without any allowance. The Headquarters of the committee is at Directorate of Dairy Development, Pattom Thiruvananthapuram. Term period of the Committee will be six months from the date of assuming charge. The Committee will arrange sittings on all districts within this period and furnish a practical precise report within a period of six months. The Committee will conduct 10 sittings in a month and Chairperson shall attend at least five days office duty in a month.

(By order of the Governor)

ANIL.X

Secretary to Government

## **Focus of the Study**

The Committee is to focus in a special way on the three-tier structure and performance of KCMMF, the three Regional Unions and the primary dairy co-operative societies vis-à-vis their goals and objectives. Their present functioning will be examined in detail so as to assess their strengths, lapses and general performance. The need if any, for restructuring the organization will also be examined diligently by the Committee. This Study therefore will look in great detail into the dairy sector in general and the challenges before MILMA. It will study the physical, financial, administrative, social and economic parameters involved here so as to determine the best options available. Appropriate measures will be recommended for the optimum utilization of human and infrastructural resources. The required linkages with the departments concerned will be taken up in detail. Such an exercise is of great importance for the sustained development of the sector as also for the well-being and prosperity of the dairy farmers of the state.

## **Methodology Adopted for the Study**

- I. Review of the dairy sector scenario in Kerala.
- II. Direct interactions with stake holders at state and district level meetings conducted with due publicity.
- III. Field visits to farms and institutions.
- IV. Consultations with experts and officials of related departments and agencies viz. Dairy Development Department, Animal Husbandry Department, MILMA, Kerala Livestock Development Board, National Dairy Development Board and other agencies.
- V. Discussions with dairy farmers, representatives of the dairy co-operatives, Regional Unions and KCMMF.

- VI. Discussions with representatives of various farmers' organisations, employees' organisations, trade unions etc.
- VII. Visits to similar organisations outside the state.
- VIII. In-depth analysis and study of the physical and financial performance of KCMMF and the three Regional Unions with regard to the objectives specified in their bye-laws.
- IX. Review of Studies, Publications, and Research papers published on this sector.
- X. Examine various models for restructuring and provide the best option with rationale for the same.
- XI. Observations and Recommendations of the Committee.



**DAIRY FARM VISIT - WAYANAD**



## CHAPTER 5

### Conduct of the Study

The most important input for the Study has been the feedback received from the various stake holders and in particular from the dairy farmers at the sittings held at district level during the period August to December 2017. The stakeholders are Dairy Farmers, Presidents and employees of Dairy Co-operative Societies (APCOS and Traditional), representatives of KCMMF and the 3 Regional Unions, MILMA Agents and Distributors, Animal Husbandry Department, Dairy Development Department, Consumers, Employee Associations, Trade Unions, Entrepreneurs running large Private Dairies and others. The opinions, suggestions, complaints etc. received from them have been prioritized in the paragraphs below. The remedial actions proposed by them are also discussed. Detailed Table listing all the issues and problems is given in **Annexure No.2**.

This list is quite exhaustive and gives us valuable insights into the needs, problems and expectations of the stake holders especially the dairy farmers, dairy co-operative societies, Regional Unions and KCMMF.

Expert Committee Sitting Photos



DISTRICT LEVEL SITTING , IDUKKI





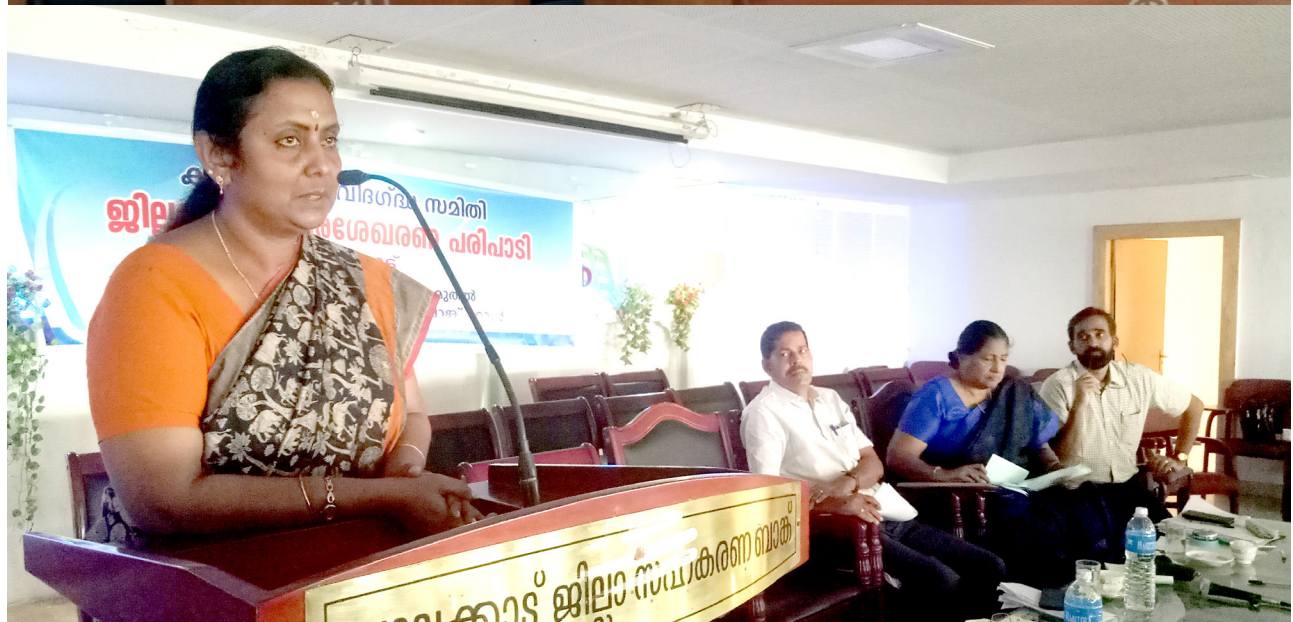
**DISTRICT LEVEL SITTINGS THRISSUR, THIRUVANANTHAPURAM & ALAPPUZHA**





**PARTICIPATION IN DISTRICT LEVEL SITTINGS**





**DISTRICT LEVEL SITTINGS - PALAKKAD & KOZHIKODE**



## Expert Committee Discussions



**INTERACTION WITH SCIENTISTS OF KVASU**



**DISCUSSIONS WITH EXPERTS**



## Expert Committee - Visits



**FARM VISIT -Dr. SELVIN PUTHIYADOM'S FARM- CHALAKUDY**

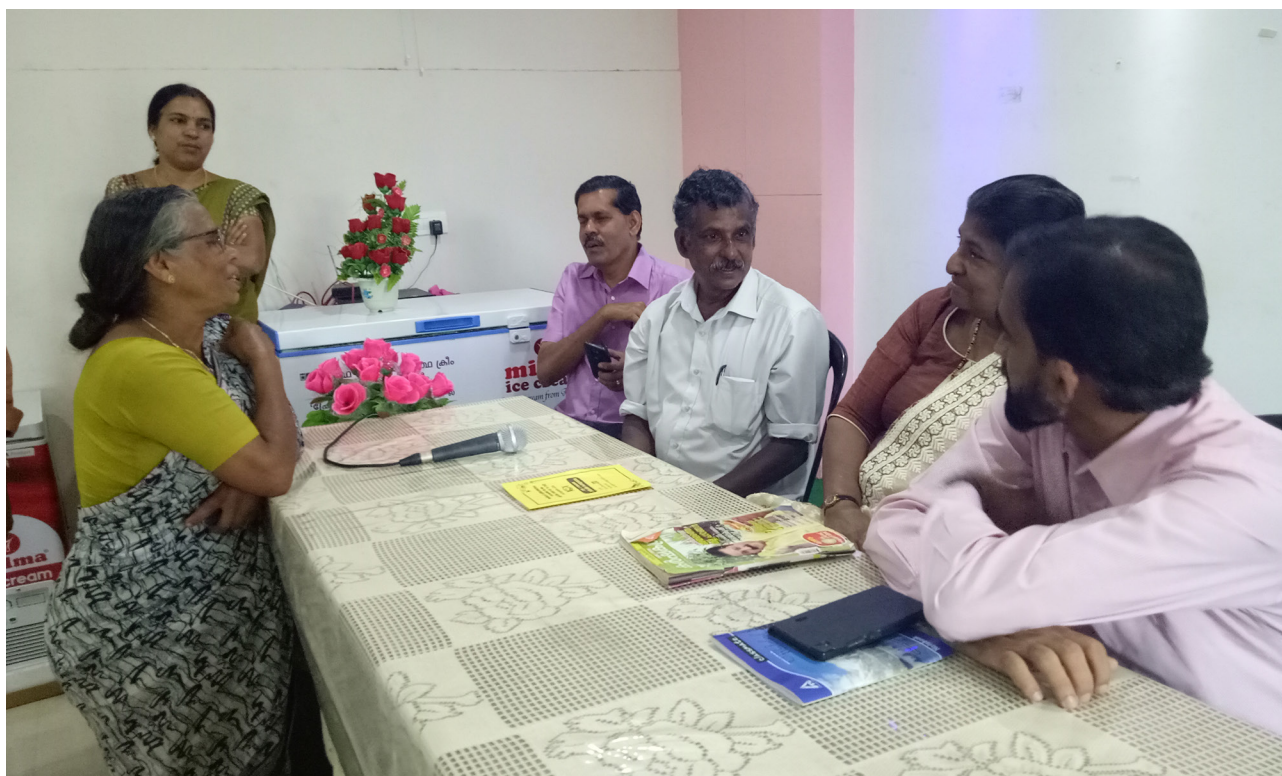


**WAYANAD - DAIRY VISIT**





**BRAHMAGIRI DEVELOPMENT SOCIETY WAYANAD**



**INTERACTING WITH BOARD OF DIRECTORS OF PRIMARY DCS**





**INAUGURATION OF WORLD MILK DAY BY HON.' GOVERNOR SRI JUSTICE (Rtd.) P.SATHASIVAM**



**EXPERT COMMITTEE - INTRIM REPORT SUBMISSION**





**HON.' CHIEF MINISTER SRI. PINARAYI VIJAYAN  
RECEIVING THE SUGGESTIONS OF KSHEERA KARSHAKA PARLIAMENT FROM  
Adv. K.RAJU(HON.' MINISTER FOR FORESTS, AH & DAIRY DEVELOPMENT)**



**DISCUSSIONS WITH SECRETARY TO GOVERNMENT & HEADS OF DEPARTMENTS**

## **Major Problems of Stakeholders**

### **A (1). Problems and Issues raised by Dairy Farmers**

- i. Absence of timely Artificial Insemination (AI), first aid and emergency treatment round the clock.
- ii. Semen is not handled scientifically resulting in poor conception rate and multiple AI per calving. It is highly important to improve the success rate of conception from +4 AI to less than 2 AI per calving, being the target of the National Dairy Plan.
- iii. Delay and discrimination in granting membership to eligible farmers and irregularities in recording volume of milk poured by favoured persons.
- iv. Need for transportation support for collection of milk from farmers in difficult areas.
- v. Absence of Comprehensive Insurance that covers all cattle diseases and delay in settlement of claims.
- vi. High cost of production of milk, non-remunerative milk value and need to reschedule the milk collection timings giving around 12 hour gap between milking for increased milk yield and animal health. Gaps in supply of quality cattle feed at reasonable price.
- vii. Lack of effective co-ordination of the activities of Regional Unions, Departments of Animal Husbandry, Dairy Development, Local Self Government and related organisations, to benefit dairy farmers.
- viii. Availability of Bank loans for dairying at the same interest rates as for agricultural loans or alternate interest subsidy support by government
- ix. Coverage of all dairy farmers under the Dairy Farmers Welfare Fund and providing specific benefits by utilising the Co-operative Member Relief Fund that should be administered by the Dairy Development Department

- x. Demand for payment of milk value on weight basis instead of on volume basis ie. on kilograms and not on litres as the milk is received in the dairies on weight basis.

## **A (2) Issues relating to large or Hi-tech farmers**

The Expert Committee visited a few large and Hi-tech farms and interacted with the owners to understand their problems and concerns. The major issues and problems raised by them are summarised below:

1. Non-availability of quality semen, unscientific handling of semen straws and lapses in the cold chain management are major problems which result in low conception rate and subsequent heavy losses. Due to this, some of the farmers were forced to cull such animals at throw-away prices.

They requested that quality semen of breeds of their choice including that of premium bulls should be made available. They also requested to be provided with sexed semen to the farmers who are willing to pay the cost.

2. Prompt and reliable vaccination programmes are necessary to prevent FMD, since farmers suffer heavy losses due to this disease. It should also be ensured that the vaccine used is of good quality. They pointed out that effective vaccines are available in other countries for the prevention and control of mastitis and requested that this may be made available in our state too. Vaccines for the treatment of Theileria Anaplasma which are available in other states should be made available in our veterinary hospitals too.

3. Problems related to environmental issues

At present, farmers who maintain more than five cows have to obtain a licence from the local self-government authorities as also clearances from Pollution Control Board and other agencies on the ground that such farms come under “hazardous activities”. Obtaining a license therefore entails delays and several complexities.

Their request is that farms having less than 10 cows may be exempted from licencing. An Appellate Authority should be constituted comprising of experts from Animal Husbandry Department, Dairy Development Department and Pollution Control Board for handling appeals relating to licencing.

4. An intensive fodder cultivation programme should be implemented on barren lands and fallow lands belonging to both government and private individuals. Plan funds of the department and LSGD funds should be earmarked for this purpose.
5. There is no effective system to check the quality of cattle feed and feed supplements in the state. Hence laws may be framed to ensure the quality of cattle feed to farmers. Quality of veterinary medicines should also be checked periodically.
6. Cows with high productivity require 3 or more milking a day instead of the usual 2 time milking, to avoid udder stress. The procurement timings of societies should be adjusted to permit such additional milking. Another solution would be to provide milk chillers at subsidised rates. These could be run on solar power wherever feasible as seen in Karnataka and Telangana.
7. Entry of low quality milk from outside the state should be controlled through fool-proof quality control activities and the Dairy Development Department should be delegated with FSSA powers.
8. Subsidy ceiling in the projects of LSGD's needs to be revised in order to enable large farms also to get assistance. This will encourage young entrepreneurs and returnees from the Gulf countries to enter this field.



## **B. Problems and Issues raised by Dairy Co-operatives Societies**

### **(I) Dairy Co-operative Societies (APCOS)**

- i. Delay and discrimination in granting affiliation to registered APCOS (Only 79% registered APCOS have been given affiliation as of March 2017).
- ii. Low margin received by dairy co-operative societies from Regional Unions adversely affecting the viability of the society and lack of productive activities that could increase their income.
- iii. Non-payment of full additional milk value/incentive to dairy co-operatives and compulsory conversion of certain percentage as additional shares in Regional Unions. In other state Federations, interest is paid to the societies by treating the amount as deposits. This system is beneficial to the societies and to the members.
- iv. Need for amalgamation of non-viable dairy co-operative societies with better functioning societies to make them viable and limiting area of operation of existing large societies to two or three wards of a Panchayat so as to ensure convenience of farmers and viability of the society.
- v. Non-availability of qualified personnel to run the society, due to low salary and wages, often below Minimum Wages rate. Employment of personnel is generally on temporary basis with frequent change of staff. At times, the employees are forced to carry out illegal and unethical directions given by the Managing Committee of the societies to satisfy vested interests.
- vi. High rate of audit fees, discrimination in classification of societies under A, B, C, D etc., huge amount towards statutory provisioning for Reserve Fund, Co-operative Education Fund etc. and Professional Education Fund without commensurate benefits to members. There are long delays in conducting audit and in clearing audit objections.

- vii. Co-operative Member Relief Fund of 10% of profit is not beneficial to the members. This Fund should be brought under the Administrative Department for implementing welfare schemes for dairy farmers and their family members.
- viii. Restrictions on training qualified society employees in AI and minor veterinary services through KLD Board should be removed, so as to increase income of society employees. This would also directly benefit the farmers in terms of prompt and timely AI services, as done in other states.
- ix. Issues relating to bulk milk coolers (BMCs) like quality testing, adequate reimbursement of expenses incurred and lack of responsible person for quality assurance during transportation which causes loss to the farmers.
- x. Anomalies in representation of dairy co-operative societies in Board of Directors of Regional Unions and Federation which should be made more democratic and balanced.
- xi. Even though the Regional Unions make profits from sales of value-added products like ghee, butter, curds etc., the producer farmers do not get any share of this profit. Detailed analysis of the annual accounts should be conducted to quantify such gains to the Regional Unions and the farmers should receive their due share.

## **B (II) Problems and Issues raised by Dairy Co-operative Societies. (Non-APCOS)**

- i. Lack of input support like additional milk value incentives, subsidised cattle feed etc. as given to APCOS.
- ii. Non-inclusion of traditional dairy co-operatives societies under programmes of National Dairy Plan and Government of India etc.

- iii. Need to limit area of operation of large societies in a Panchayat so as to increase collection and offer better service to farmers.
- iv. Problems relating to management of excess milk during flush period and issues of quality, purchase and sales of milk from neighbouring states.

### **C. Problems and Issues raised by Regional Unions**

- i. APCOS societies sell large quantities of milk in the local market neglecting Regional Unions especially during lean season.
- ii. Societies in border areas bring in cheaper milk from other states for getting undue benefit thereby burdening Regional Unions with excess milk at higher procurement rates.
- iii. Some dairy co-operatives are engaging in production and sale of packaged milk and value- added products creating competition with Regional Unions.
- iv. Shortage of professional personnel in Regional Unions to carry out extension services like P & I activities, transfer of technology to dairy farmers and timely inspections and supervision of APCOS societies.
- v. Restrictions imposed by Government in providing AI free of cost when AI is done through dairy co-operative societies.
- vi. Acute shortage of professionals especially in technical areas, marketing and sales, due to delay caused by court litigations and vigilance cases relating to alleged corruption and malpractices in the recruitment process. Interference by members of Board of Directors in the recruitment process obstructs transparency and affects the quality of personnel recruited. Hence recruitment should be conducted by a competent independent body and should apart from written test covering domain knowledge and interview, also assess aptitude for the position. The interview board should include experts in the field.

- vii. Inefficient managerial system that is unable to optimise manpower utilisation and achieve cost effectiveness despite heavy investments on automation and up-gradation of plant and machinery. Interference by members of the Board of Directors in routine administrative matters, like transfers and postings, shifting of posts, leave etc.
- viii. Prolonged continuance of same persons in Board of Directors, some for over 20 years and non-induction of new Directors. Limitation to 2 or 3 terms should be prescribed or the “rotation system” adopted whereby one third of elected members retire every two years as prescribed in the original bye laws of APCOS
- ix. Lack of strong leadership of KCMMF especially in management of excess milk during flush season and ineffective marketing. The inefficiency of the Programming Committee has resulted in absence of co-ordination between Regional Unions.

#### **D. Problems and Issues relating to KCMMF**

- i. Deviation from primary function of providing marketing leadership and responsibility of co-ordinating activities of Regional Unions for optimum benefit of producers.
- ii. Failure in organizing massive advertisement campaigns to take advantage of the brand image of MILMA and in supporting Regional Unions to enter new markets in other states as also to export milk and milk products under MILMA brand, targeting NRI's from the state.
- iii. Neglect of R&D to develop new products in order to facilitate higher income to the Regional Unions thereby absorbing surplus milk produced within the State.
- iv. Failure to conduct regular market surveys on consumer needs and aspirations, potential niche markets etc. to strengthen and improve the market share of MILMA. Lack of initiative to develop marketing strategies in tune with the

changing times to retain and increase visibility and respond to consumer preference.

- v. Acute shortage of qualified personnel especially in marketing to identify new areas and reinforce existing strengths. Inability to provide support to Regional Unions in professional skills, appropriate technology and management techniques.
- vi. Lack of common cadre of senior professionals across Regional Unions and Federation which would serve to optimise utilization of available skills and expertise.
- vii. Absence of co-ordination to ensure professional management of excess milk between the Regional Unions without affecting their financial viability.
- viii. Inadequate attention to attain standardisation of manufacturing processes, quality and other parameters of milk products of the three Regional Unions.
- ix. Unnecessary involvement of the Federation in running a Product Unit and Dairy at higher operating costs.
- x. Ineffectiveness of the Programme Committee of the Federation is a matter of serious concern. The Committee should be empowered to function in accordance with the powers vested through its Bye-laws. These include matters relating to manufacturing programs, rate of various processing charges, terms and conditions of procurement, marketing, R & D and all other important functions of the Regional Unions and the Federation.
- xi. Lacuna in the present constitution of the Board of Directors of the Federation in not ensuring one elected representative in the Board from each district in the state. Further the prolonged continuance of the same persons in the Board of Directors, some for over 20 years, and non-induction of new Directors is detrimental to the organisation. Limitation to 2 terms should be prescribed by making necessary amendments in the Byelaw.

- xii. Absence of a Vision Document for the Regional Unions and the Federation to meet the challenges of the coming years up to 2030. It is necessary to formulate a co-ordinated Annual Action plan with steps for removal of all wasteful and unproductive activities. Implementation of the “best practices” in the dairy industry along with upgraded technology for all manufacturing processes will serve to restore KCMMF to its intended pivotal position.
- xiii. Frequent change of the Chief Executive of the Federation or appointing persons on additional charge leads to lack of continuity and affects timely decision- making. Fixed tenure of at least three years will be beneficial to the organisation.
- xiv. The Director of Dairy Development Department who is also the Registrar of Dairy Co-operatives is a member on the Board of Directors of the Federation. While this facilitates linkages with government policies and programmes there is likelihood of bureaucratic interventions which could adversely affect the functioning of the co-operative organization. These would include :-
- Formation of new dairy co-operative societies without considering their viability and fulfilment of prescribed norms.
  - Tendency to regard this co-operative organization as a government department and bringing in regulations and systems that are not in tune with the byelaws and original Agreement.

## **CHAPTER 6**

### **Examination of problems Raised by Farmers and Dairy Co-operatives**

Prior to examining the performance of the three-tiers that constitute MILMA, it would be useful to understand the role and current status of each of these tiers as below:-

- i. Dairy Co-operative Societies
- i. Three Regional Unions
- ii. KCMMF as the apex body.

### **Role and importance of Dairy Co-operatives Societies**

Dairy Co-operatives Societies being the backbone and mainstay of the entire structure, these need to be given due importance. At present there are a total of 3251 APCOS and 431 Traditional Dairy Co-operative Societies registered in the state, making a total of 3682 societies. Excluding 483 dormant societies, 3199 DCS are functioning in Kerala. The average milk procurement of dairy co-operatives in the state during 2016-17 is 508.75 litres per day and the average quantity of milk supplied to the Regional Union by the dairy co-operative after local sales is around 360litres/day. This aggregates a total of around 11.5 lakh litres/day procured for processing in the dairies under the three Regional Unions.

Table No -8

## Status of Dairy Co-operatives in Kerala (Union wise) 2016-2017

REGION	DISTRICT	APCOS	NON APCOS	TOTAL DCS	WORKING	DORMANT
THIRUVANANTHAPURAM	THIRUVANANTHAPURAM	344	78	422	348	74
	KOLLAM	280	62	342	269	73
	PATHANANAMTHITTA	186	16	202	173	29
	ALAPPUZHA	251	24	275	238	37
	Total	1061	180	1241	1028	213
ERNAKULAM	KOTTAYAM	252	28	280	236	44
	IDUKKI	194	15	209	193	16
	ERNAKULAM	331	17	348	313	35
	THRISSUR	225	60	285	237	48
	Total	1002	120	1122	979	143
MALABAR	PALAKKAD	328	21	349	323	26
	MALAPPURAM	267	30	297	231	66
	KOZHIKODE	234	15	249	242	7
	WAYANAD	54	2	56	56	0
	KANNUR	169	56	225	206	19
	KASARGOD	136	7	143	135	8
	Total	1188	131	1319	1193	126
GRAND TOTAL		3251	431	3682	3199	483



**The main objectives and duties of primary dairy co-operatives are the following:**

- i. To help the members to produce quality milk and provide necessary guidance and support to the farmers to improve productivity of cattle.
- ii. To arrange facilities for profitable marketing of milk produced by the members and sale of marketable surplus through Regional Unions.
- iii. To undertake programmes for the improvement of breed and health of cattle, thereby protecting cattle and enhancing production.
- iv. To undertake sale of balanced cattle feed and ensure availability of fodder for cattle by improving fodder cultivation.
- v. To undertake various activities for the overall development of dairy sector in order to achieve the above said objectives.

In addition to the objectives mentioned above, the following additional objectives were included in the revised Model Bye-laws based on the amendment made in the Kerala Co-operative Societies Act in February 2013.

- vi. To form mutually-aided joint venture enterprises in co-operation with other co-operatives.
- vii. To organize self-help groups for the development of dairy farmers, without causing any financial loss to the co-operative society.
- viii. To operate milk collection centres and branch offices with approval of the General Body and Registrar.
- ix. Purchase and sale of agricultural products produced by members, with the approval of the General Body and Registrar.

**The main features in the bye-laws of APCOS societies as distinct from other co-operatives are the following:-**

- i. Only farmers, who own milch cows and pour milk in the society for a period of 90 days within a continuous period of 120 days, are eligible for getting membership in the society.
- ii. Only those members, who supply milk to the society for 180 days or pour 500 litres of milk in the preceding year, are eligible for attending the General Body Meeting. Besides, only those farmers who fulfil the above criteria are eligible to get elected to the Board of Directors and continue in the Board of Directors.
- iii. The members of APCOS should conduct the sale of milk and milk products only through the society.
- iv. The society should distribute 70% of its net profit after providing the statutory provisions, to farmers as bonus based on the quantity of the milk supplied to the society.

### **Examination of Issues raised by Farmers and Dairy Co-operative Societies and Remedial Actions Proposed.**

The problems, complaints and suggestions received during the sittings conducted in various districts and in representations from various stakeholders regarding the grievances of dairy farmers and the Primary Dairy Co-operatives were examined in detail as below:-

#### **I. Making AI and minor veterinary services available to farmers through dairy co-operatives.**

There is widespread demand from farmers requesting timely AI and minor veterinary services at the farmer's doorstep through duly trained employees of the dairy co-operative societies at a reasonable charge, as is the practice in all other states in India. This will reduce the number of AI from the present 4+ to less than 2 per calving, thereby adding to the productivity of the animal and the

income of the farmer. The loss to the farmer due to failure of AI is substantial and it should be avoided at all costs. Further, the AI done through the Animal Husbandry Department is free of cost but AI done through the dairy co-operatives are charged at Rs.55/- per AI. This disparity should be removed. The farmers' demand for their choice of semen including premium bull semen, also needs favourable consideration. Hence timely AI and veterinary services at the farmer's doorstep which is also one of the important objectives of the National Dairy Plan should be implemented in Kerala. The Heli Report also strongly supports the farmers' demand for getting AI and First Aid services through trained staff of their dairy co-operatives, as is available in other states.

## **II. Membership**

The bye-laws of APCOS clearly stipulate the criteria for getting membership in the society, ie pouring milk for a period of 90 days within a continuous period 120 days.

- i. There are instances of denying membership to eligible farmers and undue delay in giving membership.
- ii. There are also cases of granting membership to persons who do not have any milch animal, by illegally recording the milk poured by others in the favoured person's name.
- iii. It is also necessary to monitor the ratio between the milk poured during lean and flush seasons to prevent malpractices like dumping of milk.

**The Registrar of Dairy Co-operatives should look into these complaints and issue appropriate directions**

## **III. Ensuring genuine farmers in the Board of Directors**

According to the bye-laws of APCOS, only members who pour milk for at least 180 days in the society, or supply 500 litres of milk in the preceding year are eligible,

- To attend the General Body meeting
- To be elected to the Board of Directors.

For attaining these qualifications some members who wish to continue in positions of authority, tend to resort to illegal practices like tampering of records or false recording of milk in their favour in the Registers maintained in the society. Similar irregularities were alleged in the classification of societies under A, B, C etc. categories in order to favour certain influential members. **These illegal practices need to be strictly controlled by insisting on fulfilling both the above conditions. Clear cut norms should be formulated for classification of DCS in consultation with the administrative department.**

#### **IV. Non-remunerative Milk Price and removing irregularities in payment of milk value**

- The main concern raised by dairy farmers in the various sittings of the Committee relates to the milk value received from societies through the Regional Union. The milk value is paid according to the price chart prepared by Kerala Co-operative Milk Marketing Federation from time to time. The latest price revision was made with effect from 11/02/2017. The average quality of milk procured by the 3 Regional Unions is with specifications of 4.1% fat and 8.3% SNF, for which the farmer gets a price of Rs.34.14/litre and the society gets a margin of Rs.1.73/litre. For milk with 3% Fat and 8.5% SNF, the farmer is paid Rs.31.65/litre and the society gets a margin of Rs.1.62/litre. These rates are the highest paid through APCOS in the country. **Admittedly, the cost of production at the farm is also the highest in Kerala where all inputs like feeds, fodder etc. are sourced from outside the state. Hence the solution to reducing cost of production would lie in making inputs available to the farmer at lower and affordable rates for which close co-ordination of related departments and agencies are called for.**

- ii. There are complaints regarding irregularities in the price of milk given to farmers from societies, ie, some cases of giving lower price to farmers by deliberately reducing the quality of milk supplied by the farmers with intention to increase the profit of primary societies.
- iii. Cases of giving higher milk value without proper quality check have also been noticed. With the introduction of Bulk Milk Coolers (BMCs), there are chances of societies that pour low quality milk getting paid higher rates at the expense of the other societies in that cluster. This can be controlled by linking the quality data of each APCOS in the cluster with the dairy concerned. **It is to be ensured through proper inspection and monitoring by the P & I staff of the Regional Union and the officials of the Dairy Department, that the daily quality testing and payment of milk value to the farmer is according to the approved Price Chart and that the testing equipment are calibrated regularly.**
- iv. Many farmers demanded fixing of milk value on weight instead of on volume basis (in kilograms instead of in litres) as the dairies receive and account for the milk from the societies on weight basis. They state that they lose up to 3 kilograms on every 100 litres of milk poured by them.
- v. The farmers also contend that many of the cross breed cows in Kerala produce milk with low fat content, some even below 3%. Such milk when supplied to the societies is treated as sub-standard milk for which almost no value is paid.

**The above demands are to be studied in detail and appropriate decisions taken.**

## **V. Low Margin received by dairy co-operatives from Regional Unions**

Most of the societies supply the major portion of their procurement to Regional Unions after meeting local requirements. The margin received by

the primary societies from the Regional Unions is between Rs. 1.62/litre to Rs.1.73/litre based on quality. A society that pours an average of 360 litres per day receives only around Rs. 700 as margin per day which is insufficient to meet even their salary requirements and it affects the financial viability of the society. The employee unions of the primary societies are frequently demanding 10% of the total sale price as margin to societies for meeting expenses of the society and for implementing the wage structure as per Section 80 of the Kerala Co-operative Society Act. It is also to be noted that, in its Report for implementing Section 80 in dairy co-operatives, the Committee constituted for the purpose had recommended 10% of the total sales price of milk to the societies for meeting their expenses. However, the financial implications of this recommendation need to be studied. **At the same time, various means for improving the viability of the primary societies have to be explored.**

**The margins received by the DCS for different quality of milk are as follows:-**

Table No. 9				
Sl. No.	Quality of Milk	Union to Society	Society to farmers	Society Margin Rs.
1	Toned Milk (3.0% Fat, 8.5% SNF)	33.27	31.65	1.62
2	Cow Milk 3.2% Fat, 8.3% SNF	33.27	31.52	1.75
3	Standardised Milk 4.5% Fat, 8.5% SNF	37.61	35.92	1.69
4	Average Milk Procured by Union (4.1% Fat, 8.3 SNF)	35.87	34.14	1.73

## **VI. Low wages of society staff and non-availability of qualified personnel**

Even though most of the primary dairy co-operatives in the state are running

in profit, they are not in a position to implement the Section 80 pattern of pay structure due to the non-availability of adequate funds after setting aside funds towards statutory provisions prescribed in the Bye-laws. The employees, the majority being women in most of the dairy co-operative societies, are not even paid the minimum wages as per the Act.

**The qualifications prescribed for various posts in dairy co-operative societies as per Kerala Co-operative Societies Act 1969, Section 80 are as below.**

Table No. 10		
Sl. No.	Designation	Qualification
1	Secretary	B.Com with Co-operation/ HDC or SSLC with JDC
2	Lab Assistant	SSLC
3	Procurement Assistant	9 <sup>th</sup> class

As qualified persons are reluctant to work in dairy co-operative societies in view of the low wage structure, there is an acute shortage of qualified persons in these societies. Many of the societies in Kerala are working with the help of under-qualified temporary staff, and daily wages staff which adversely affects their regular and smooth functioning. It is seen that there are only around 5300 permanent employees in the 3682 dairy co-operative societies where a minimum of 3 permanent staff are required according to the Bye-laws. The majority of these staff are women who have to be present in the society for collection of milk, from early morning to around 10 to 11 am and again in the evenings from 3pm till 7 or 8pm.

**Another important issue raised by the representatives of employees of the dairy co-operative societies relate to the following irregular practices in some societies:-**

- Important Registers and records of the society are retained by the President

of the society who often makes entries on his own without any basis, to help or discredit certain members.

- The Managing Committee insists on giving incentive to the members several times in a year and cattle feed at the cost price, without considering the financial stability of the society and payments of salaries due to the employees.
- The Secretary and the staff are employed on temporary basis, on daily wages or on re-employment, and hence they are often suspended and replaced on false or flimsy grounds. This creates much anxiety and difficulties to the employees.

**It is therefore of utmost importance to recruit duly qualified persons, giving them the benefits of Section 80 and enabling them to follow the stipulated procedures for accounting and conduct of the society.**

## **VII. Primary Dairy Co-operative Societies to Function as Farmers' Facilitation Centres**

- i. The primary dairy co-operatives should be empowered to evolve into higher levels to act as facilitators for fulfilling farmers' needs. Various inputs like cattle feed, green fodder, feed supplements, minor veterinary aids and medicines, Comprehensive Insurance etc. should be provided to farmers through societies.
- ii. Besides this, the various schemes and projects implemented by different government departments and agencies should be routed through these co-operative societies. This will attract more dairy farmers to come under the co-operative umbrella and thereby strengthen the dairy co-operative structure as a whole. Priority should be given to those farmers who pour milk in dairy co-operative societies, in the selection of beneficiaries under the government schemes.



- iii. Additionally, agricultural products like fresh vegetables, fruits, eggs, meat, organic manure, local herbal remedies for animal health etc. can also be supplied. The dairy co-operative society should thus be equipped to function as a channel for providing all related benefits of government schemes, which will lead to the overall economic development of the area.

## **VIII. Diversification of activities**

The activities of dairy co-operative societies could be diversified by allowing purchase and sale of agricultural products, eggs, chicken etc. produced by the member farmers. The production and sale of organic manure, fresh vegetables, fodder and other products are also to be promoted. In addition, the dairy co-operatives especially those located near urban areas should be assisted to operate outlets for the sale of value added products of MILMA. Joint farming by forming Self Help Groups for fodder cultivation in fallow lands taken on lease, is also to be promoted. Such diversification of activities will improve the income of the societies and ultimately serve to develop a close relationship between farmers and societies.

## **IX. Changes Required in the Profit Sharing Pattern**

Under the Kerala Co-operative Societies Act and bye-laws of the co-operative society, the net profit of the society is to be distributed as below:-

- Reserve Fund 15%
- Co-operative Education Fund 5%
- Professional Education Fund 5%
- Co-operative Member Relief Fund 10%

Out of the remaining 65% of net profit, 10% may be given as dividend to shareholders, 70% of the remaining amount may be distributed to producers as

bonus, 10% to Cattle Development Fund, 15% to Common Good Fund and 5% to Co-operative Propaganda Fund.

**It may be noted that even though statutory provisions like Co-operative Education Fund, Professional Education Fund, Co-operative Member Relief Fund etc. are levied from dairy co-operative societies, the benefit of the same is not extended to dairy farmers. In fact, the dairy farmers receive only less than half the profit made by their society as the major portion goes into statutory provisions under the present laws.**

- i. At present 15% of the net profit of the dairy co-operative societies is deposited in the District Co-operative Bank as Reserve Fund for which the society does not get any interest or direct benefit. Interest thereon is only added to the Reserve Fund of the Society. There appears to be a move to remove dairy co-operatives from the membership of District Co-operative Banks. Hence there is demand from the dairy societies and farmers to invest the Reserve Fund for providing direct support to farmers. Instead of depositing the Reserve Fund in the District Co-operative Bank it could be pooled and utilized for providing interest- free loans to farmers by setting up a Dairy Development Fund or a Consortium for this purpose jointly administered by the administrative department and MILMA.
- ii. The amounts deposited in the Reserve Fund, Professional Education Fund etc., should also be accounted for over the past several years, and interest at normal bank rates given directly to the societies. It is understood that Credit Co-operative Societies are receiving fixed deposit rates of interest on their Reserve Fund from the District Co-operative Banks.
- iii. The other amounts deposited under the statutory provisions should also be accounted for over the past several years and suitable schemes formulated

for utilising these amounts for the welfare of farmers and the dairy societies, after consultations with them.

- iv. It is also necessary to allow benefits like reservation for the dependents of dairy farmers in professional educational institutions especially for pursuing related courses like Veterinary Sciences, Dairy Sciences etc. The amount collected as Co-operative Member Relief Fund could be placed at the disposal of the Registrar of Dairy Co-operatives under a Corpus Fund for implementing various schemes that directly benefit the dairy farmers and their family members. Necessary amendments in the KCS Act and Rules are to be enacted for these changes.

## **X. Audit and Audit Fees**

At present the audit of the APCOS is being done through the Concurrent Auditors of the Co-operative Audit Department who are deputed to the Kerala Co-operative Milk Marketing Federation and Regional Unions. The collection of audit fees and other matters are handled by Kerala Co-operative Milk Marketing Federation and the Regional Unions.

- i) A demand for a separate Audit Wing under the control of the administrative department was raised during the sittings by some stakeholders to ensure a more impartial, independent and transparent system of audit. **Clear cut norms and criteria for audit of dairy co-operatives should be introduced to reduce subjectivity and discrimination in the audit process.**
- ii) In view of the large number of instances of financial irregularities in the dairy co-operative societies which are usually detected at the later stages, it is necessary to have a mechanism to detect such irregularities in time and effect prompt remedial measures. This could be in the form of a quarterly audit by Chartered Accountants in primary societies having large turnover and procurement of over 1000 litres/day.

- iii) There are a large number of dairy co-operatives that have a backlog of unaudited accounts for several years together. **There should be a mechanism to carry out the audits in a time-bound manner with exemption or relaxation in the prescribed audit fees payable. Otherwise the farmer members will have to bear the loss for no fault of theirs.**
- iv) There<sup>1</sup> is a demand for reducing the present audit fee of maximum of Rs.25,000/- or exempting the dairy co-operatives from audit fees as in the case of Khadi and Village Industries and Coir Co-operative Societies.
- v) There are also requests for modifying the criteria for Audit Classification of dairy co-operatives to remove malpractices of favouritism and discrimination while classifying societies under A, B, C, D classes. The questionnaire and formats used for this purpose should be transparent and objective without giving undue room for discretion.
- vi) They also pressed for holding regular Audit Adalats to clear general audit objections not involving fraud or financial irregularities.

The above demands need to be addressed without delay.

## **XI. Affiliation to all APCOS Societies**

Out of the total 3191 APCOS Societies in the state, only 2536 are affiliated to the Regional Unions as on 31<sup>st</sup> March 2017, which comes to just 79% of the total number of APCOS. The Regional wise details of affiliated societies are given in the table below.

<b>Table No. 11</b>				
<b>Details of Affiliated Societies as on 31/03/2017</b>				
<b>Sl. No.</b>	<b>UNION</b>	<b>Registered APCOS</b>	<b>Affiliated to UNION</b>	<b>% of Affiliation</b>
1.	TRCMPU	1019	701	69%
2.	ERCMPU	981	868	85%

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1

3.	MRCMPU	1191	967	81%
	<b>TOTAL</b>	<b>3191</b>	<b>2536</b>	<b>79%</b>
Source-Dairy Development Department				

Since various benefits like milk value incentives, veterinary services, cattle feed at subsidised rate etc. are allowed only to affiliated societies of the Regional Unions, all eligible APCOS societies should be given affiliation. **Reasons for delay, rejection etc. should be given in writing to the Presidents of the APCOS concerned along with provision for appeal against such decisions.**

## **XII. Extending Benefits to Traditional Milk Societies**

Some of the traditional milk societies are supplying their excess milk to the APCOS but these societies do not get any inputs and support apart from the milk value. Support and inputs like additional milk value, milk incentive, cattle feed at subsidised rate and other benefits are given to APCOS societies only. A mechanism is to be evolved for extending similar support to these societies from the Dairy Development Department.

## **XIII. Representation of Dairy Co-operative Societies in the Board of Directors of Regional Union**

The representation of dairy co-operative societies in the Board of Directors of the Regional Unions is decided by the Board of Directors based on the number of societies in each district.

Very often this provision is misused to favour certain members by artificially increasing the number of societies even though the milk poured by these societies is meagre. Hence norms must be fixed for this and the actual quantity of milk poured should be monitored to prevent such fraudulent practices.

The representation of dairy farmers in the Board of Directors of the Regional Unions is not fully democratic as, instead of having a District representative duly

elected by the representatives of the dairy societies of that particular district, all the representatives collectively elect the representatives of each of the districts under the Regional Union. These representatives are often unknown and unfamiliar persons. **Hence, in order to make the Board of Directors of Regional Unions truly representative of the farmers, a system where the representatives of the dairy co-operatives of each district elect their own representatives, would be most appropriate and useful. This is the system followed in other states like Karnataka.**

#### **XIV. Conversion of additional milk value and incentives as share capital of the Regional Union**

The three Regional Unions generally distribute additional milk value and incentives to the societies and members from the income accrued from their business. Of this amount, 50% is usually converted as additional share capital of the dairy co-operatives in the Regional Union. This is not a useful investment for the dairy co-operatives as they do not derive any direct benefit from this. The practice in Gujarat, Karnataka and Telangana is to consider these amounts as deposits as and when required by the Regional Union. Reasonable rates of interest are given to the societies. **The procedures should be studied` to ensure reasonable returns in order to improve the financial status of the primary societies.**

#### **XV. Milk value payment by Direct Benefit Transfer (DBT)**

Most of the dairy co-operative societies are making payment of milk value, incentives etc. directly into the farmers' bank account in DBT mode. This ensures transparency in transactions and is also time-saving. However, the amounts paid into the bank accounts do not cover the transaction charges like ATM charges,

service charges etc. Non availability of banking network in certain areas of Idukki and Wayanad districts are other problems faced by societies and farmers. A co-ordinated effort is required to permit zero- balance bank account for all farmers.

#### **XVI. Making AI and minor veterinary services available to Farmers through dairy co-operatives.**

There is widespread demand from farmers requesting timely AI and minor veterinary services at the farmer's doorstep through duly trained employees of the dairy co-operative societies at a reasonable charge, as is the practice in all other states in India. This will reduce the number of AI per calving from the present 4+ to less than 2 per calving, thereby adding to the productivity of the animal and the income of the farmer. The loss to the farmer due to failure of AI is substantial and it should be avoided at all costs. Further, the AI done through the Animal Husbandry Department is free of cost but Rs.55/- is charged as cost of semen when AI done through the dairy co-operatives. This disparity should be removed. The farmers' demand for their choice of semen including premium bull semen, also needs favourable consideration. **Hence timely AI and veterinary services at the farmer's doorstep which is one of the important objectives of the National Dairy Plan should be implemented in Kerala. The Heli Report also strongly supports the farmers' demand for getting AI and First Aid services through trained staff of their dairy co-operatives, as is available in other states.**

#### **XVII. Amalgamation of existing Dairy Co-operatives to make Societies viable**

Those primary dairy co-operatives having low milk procurement can neither pay reasonable wages and benefits to their employees and farmer members nor can they function as viable units. The societies having milk procurement less than 300 litres per day should be amalgamated with adjacent societies for improved financial performance. Such amalgamation should not however create

difficulties for the farmer.

Similarly, it is necessary to limit the area of operation of dairy co-operatives having more than 4 or 5 wards of a Panchayat, in order to form another dairy co-operative society, keeping in view the interests of the dairy farmer.

Political considerations in formation of new dairy co-operative societies generally result in the decline of existing viable co-operative societies, causing distress to the dairy farmers.

### **XVIII. Decline in the Active Members**

The number of pouring members in the societies shows a decreasing trend especially in TRCMPU, (12%) and ERCMPU (14 %). It is estimated that only 17% of the total members are pouring members. The presence of such a large number of inactive members could lead to malpractices which would affect transparency and efficiency of the society. **Members who have been inactive for more than two accounting years should be removed from the membership of the society. The factors leading to this situation should be examined and remedial steps taken to increase the number of pouring members.**

The Regional Union-wise Primary Society membership and Pouring members as of May 2017 are shown below:-

<b>Table No. 12</b>				
<b>Sl. No.</b>	<b>Union</b>	<b>Primary Society Members</b>	<b>No. of Pouring Members</b>	<b>% as on May 2017</b>
1.	TRCMPU	307387	37720	12
2.	ERCMPU	296250	36562	14
3.	MRCMPU	360823	94216	26



<b>TOTAL</b>	<b>964460</b>	<b>168498</b>	<b>17%</b>
Source – Dairy Development Department			

## **CHAPTER 7**

### **Analysis of Performance of two APCOS Societies**

The Committee examined the functioning of two primary dairy co-operative societies ie Aruvikkara KUCS T 355 (D) APCOS and Attukal KUCS T 10(D) APCOS both in Thiruvananthapuram district having an average procurement 245 litres and 550 litres per day respectively. The following aspects were examined viz. procurement, sales, margin received, other sources of income, staff pattern, per litre milk value paid to farmers, establishment and contingent expenses, the functioning of the managing committee and overall financial status. The welfare activities implemented through the society were studied and requirements for viable functioning of the society were ascertained.

#### **Aruvikkara Priyadarshini KUCS T 355 (D) APCOS**

The society was registered on 15/5/2012 and started functioning on 1/6/2012. The area of operation of the society is two wards of Perunkadavila grama panchayat in Thiruvananthapuram district. It has 85 members and the paid up share capital is Rs.10,520/-. The average procurement is 245 litres per day in 2016-17 and the number of pouring members is 40. The total milk collection during 2016-17 is 89,718 litres and the local sales is 35,769 litres which comes to about 40% of the total collection. The total milk sent to the Regional Union's dairy is 54,677 litres ie about 60%. The society received Rs. 12.93 lakhs through local sales and Rs.17.24 lakhs through dairy sales. The average purchase price is Rs.30.01 and the average milk value received from the dairy is Rs.31/litre and the margin received through dairy sale is Rs. 1.49. The total income from milk sales is Rs.30.17 lakhs. The gross profit of the society is Rs.3.66 lakhs and the net

profit of the society during 2016-17 is Rs.1.41 lakhs.

Section 80 pay structure is not implemented in the society and only one permanent employee and one casual labourer are working in the society. The audit of the accounts of the society was conducted up to 2016-17. During the financial year 2016-17 the establishment and contingent expense is Rs. 3 lakh. The audit classification of the society is C. The distribution of net profit of the society during the financial year 2016-17 is as follows:-

<b>Table No. 13</b>		
<b>Sl. No</b>	<b>Items</b>	<b>Amount</b>
1	Net profit-	1,41,657
	• Reserve fund 15%	21,249
	• Co-operative Education Fund 5%	7,083
	• Professional Education Fund 5%	7,083
	• Member Relief Fund 10%	14,166
2	Balance amount	92,076
3	Dividend to members (10% of paid up Share Capital)	1,052
4	Balance amount after Dividend	91,024
5	Producers bonus 70%	63,717
6	Cattle Development Fund 10%	9,102
7	Common Good Fund 15%	13,654
8	Co-operative Propaganda Fund 5%	4,551

The society has implemented various welfare programmes for the benefit of dairy farmers, utilising own fund and various schemes of Dairy Development Department, Animal Husbandry Department, Local Self Government Department and MILMA. During the financial year 2016-17, 22 members of the society were enrolled in KDFWF and 4 of them are getting pension from KDFWF.

From the above facts, it can be seen that,

- This is a below-average APCOS society with only 245 litres of milk procurement per day.
- Local sales is around 40% of total procurement which is above the limit for local sales stipulated by the Union, which is 30%.

- iii. Major income is through local sales. Hence it is necessary to have other income-generating activities to become a viable society for which support is required from the Union and the department.
- iv. The members receive only 46 % of the net profit of the society as direct benefit in the form of dividend and bonus. The larger part of the profit goes towards the statutory provisions which do not directly benefit the members.
- v. There is only one permanent employee but she/he is not paid salary as per Section 80 pay structure.

It is clear from the above facts that such societies with procurement below 350 to 400 litres per day cannot function as viable units. Hence, they should receive special consideration and assistance from the Regional Union and the Department.

#### **Attukal KUCS T10 (D) APCOS**

The society was registered as traditional society on 18.5.69 and started functioning on 16.6.1969 and converted to APCOS on 11.12.1981, the area of operation of the society is two wards of Panavoor Grama Panchayat and two wards of Anad Grama Panchayat in Thiruvananthapuram district having 775 members and the paid up share capital is Rs.8130/-. The average milk procurement 558 litre per day in 2006-17 and the number of pouring members is 150. The total milk collection during 2016-17 is 2,03,720 litres and the total local sale is 41,347 litres which comes about 20 % of the total collection. The total milk sent to the dairy is 1,64,878 litres ie about 80%. The society received 16.69 lakhs through local sales and Rs.54.12 lakhs through dairy sales. The average purchase price is Rs.31.10/- and the average milk value received from the dairy is Rs.32.82/-per litre and the margin received is Rs 1.72/litre. The gross profit of the society is Rs.8.92 lakhs and the net profit of society is Rs.4,00,911/- (Un audited amount).

There are three permanent employees and one casual labourer working in the

society. Even though section 80 pay structure was implemented in the society, all the benefits like DA due to the employees is not fully paid. The establishment cost of the society is around 60% of the gross income and the establishment and contingency expense together is about Rs.4.57lakh. The audit classification of the society is A.

The distribution of net profit of the society is as follows:

<b>Table No. 14</b>		
<b>Sl. No.</b>	<b>Items</b>	<b>Amount</b>
1	Net profit	4,00,911
2	Statutory Divisions	
	a) Reserve Fund 15%	60,136
	b) Co-operative Education Fund 5%	20,046
	c) Professional Education Fund 5%	20,046
	d) Member Relief Fund 10%	40,091
3	Balance Amount	2,60,592
4	Dividend paid 10% of Paidup Share Capital	813
5	Balance	2,59,779
6	Producers bonus 70%	1,81,845
7	Cattle Development Fund 10%	25,978
8	Common Good Fund 15%	38,967
9	Co-operative Propaganda Fund 5%	12,989

The society is implementing various welfare programmes for the benefit of dairy farmers, utilising own fund and various schemes of DDD, AH, LSGDs and MILMA. The total number of members enrolled in KDFWF is 192 and 38 farmers are getting regular pension. The society has taken shares worth Rs. 5,13,050/- in TRCMPU the major portion of which is through the conversion of milk incentive/ price difference by the Regional Union. However no benefit from the above shares is passed on to the primary dairy co-operative society. The society is running on profit and bonus is distributed to farmers regularly.

It can be seen that the above society is procuring an average of 558 litres/day, which is slightly higher than the average procurement of dairy co-operatives in the state. The local sales in the society is only about 20%, which is comparatively

low, a major portion of the income of the society is through local sales and cattle feed sales. An average of Rs. 3.5 to Rs. 4 is supplied to farmers through various schemes like milk incentives from Dairy Development Department, LSGDs and Regional Union. This has contributed to developing confidence and attachment of the farmers to the co-operative society.

A significant share, around 35%, of the income is deposited as Statutory Provisions under the Kerala Co-operative Societies Act on which the members do not receive any direct benefits in return. Apart from this, the Regional Union also holds back 50% of the additional milk value due to the farmers and converts the amount into shares in the Regional Union. Thereby, huge amounts ranging from over Rs. 50 lakhs to Rs. 2 to 3 lakhs of large and small APCOS respectively, are parked with the Regional Unions as share capital. without commensurate benefit to the individual farmer and the society.

Dividend on the share amount are given regularly to the societies by the Regional Unions in all the states that the Committee visited. In Telangana and Andhra Pradesh, there is a system of appreciation in share value based on book value, benefitting the shareholders.

It is thus clear that the primary dairy co-operative societies need to be strengthened and made sustainable so as to increase productivity and their financial viability and thereby meet the needs of the farmers. To achieve this, the various problems that were raised by the dairy farmers before the Committee and which have been discussed in the paragraphs above, need to be addressed effectively and efficiently by the authorities concerned.

Under the Anand pattern followed here, the dairy farmers who are members of the dairy societies are the shareholders and owners of the entire organisation



called MILMA. The feeling of ownership should be developed and strengthened by the management and employees of the organisation, who should be accountable to the farmers who are the most important stake holders.

## **CHAPTER 8**

### **Role and Functions of Regional Unions**

At present there are 3 Regional Unions ie, TRCMPU, ERCMPU and MRCMPU covering the southern, central and northern districts of Kerala. TRCMPU was registered on 31/05/1985 and started functioning of 20/07/1985 and ERCMPU was registered on 12/09/1985 and started functioning on 21/09/1985. The MRCMPU was registered on 29/06/1989 and started functioning of 15/01/1990.

The main objectives for which the Regional Unions were formed are:-

- i. The organization and supervision of primary dairy cooperatives termed APCOS.
- ii. Procuring, processing and marketing of milk produced by member societies
- iii. Providing financial, technical and administrative support to member societies.
- iv. To encourage the production of milk and milk products.
- v. To act as an agency for providing various inputs like veterinary services, cattle feed and other inputs.

The Regional Unions play a pivotal role in the production of value-added milk products as well as in their marketing under the Federation's brand name MILMA. In short the role of Regional Unions is to facilitate the overall development of the dairy farmers by way of giving appropriate support to the dairy co-operatives.

[The full text of the objectives of Regional Unions is given in Annexure No. 3

#### **I. Membership**

The membership in the Regional Union is limited to primary dairy co-operatives (APCOS) registered under the Kerala Co-operative Societies Act in conformity

with the Model bye-laws.

The table given below shows the present membership in the Regional Unions as on 31/3/17.

<b>Table No. 15</b>		
<b>Sl. No.</b>	<b>Regional Union</b>	<b>No of Member Societies</b>
1	TRCMPU	701
2	ERCMPU	868
3	MRCMPU	967
<b>TOTAL</b>		<b>2536</b>

Under the relevant provisions of the KCS Act, all the members are eligible to participate in the General Body meetings of the Regional Union.

## **II. Board of Directors**

The Board of Directors of the Regional Union shall be elected from among the elected Presidents of the APCOS societies. It is observed that the three Regional Unions are following different patterns with regard to number of members in the Board, reservation for women and members from SC/ST. The structure of the Board of Directors in the three Regional Unions is shown below.

<b>Table No.16</b>							
<b>Sl No.</b>	<b>Name of Union</b>	<b>General Category</b>	<b>Reser- vation for women</b>	<b>SC/ST Reser- vation</b>	<b>Govern- ment nominees</b>	<b>MD/ Ex-Officio Members</b>	<b>Total</b>
1	TRCMPU (4 districts)	10	3	1	3	1	18
2	ERCMPU (4 districts)	12	3	1	3	1	20
3	MRCMPU (6 districts)	10	3	1	3	1	18

It is noteworthy that MRCMPU having 6 districts as its area of operation and almost double the procurement of the other two Regional Unions together, has

only 14 elected members whereas the other two Unions whose area is limited to four districts each and a much lower procurement level, have a proportionately higher number of elected persons on their Board of Directors.

Hence, as only 12% of TRCMPU's farmer members and 14% of ERCMPU's farmer members` pour milk on an average, as can be seen from Table No. 12, it is not necessary to have 14 and 16 elected Directors on the Boards of these 2 Regional Unions.

As per (Clause19(1) Explanation) of its bye-laws, the Annual General Body meeting of the Regional Union will fix in advance, the number of representatives/ delegates to be elected from each district in proportion to the number of affiliated member societies, ensuring at least one from each district. In the case of reservation for women and SC/ST categories in TRCMPU and ERCMPU, the election is from the general category covering all the districts.

But in MRCMPU the General Body decides the district from which the reservation seat for women and SC/ST categories should be elected, on a rotation basis. **It is advisable that ERCMPU and TRCMPU follow the above pattern of MRCMPU.**

With regard to business, it could be seen that the three Regional Unions are having different volumes of procurement, sales and diversified products etc. The average procurement and sales data of the three Regional Union for the year 2016-17 are shown below.

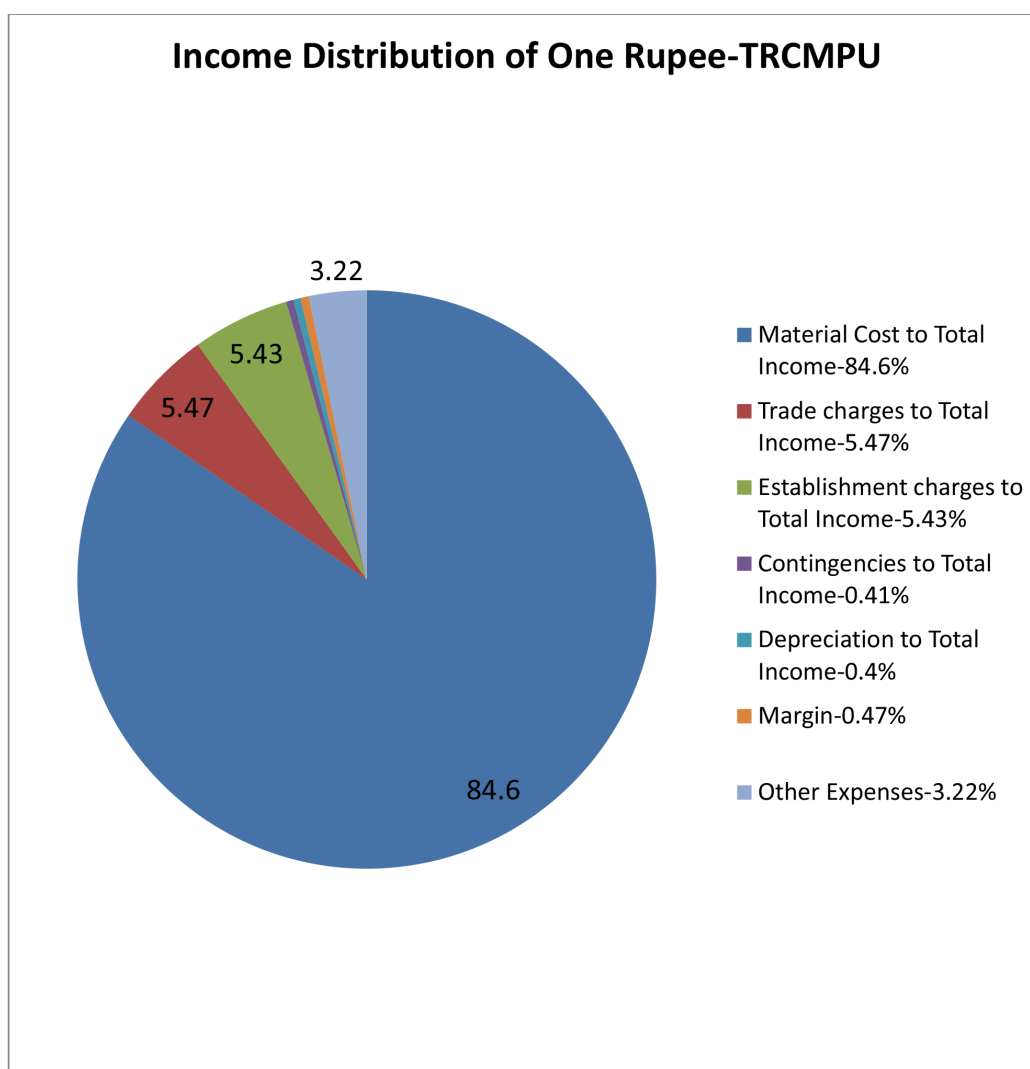
Table No. 17					
Sl. No.	Union	Procurement/Day (in lakhs)	Sales/Day (in lakhs)	Deficit (in lakhs)	% of deficit
1	TRCMPU	2.40	4.86	2.46	49.3

2	ERCMPU	2.67	3.29	0.62	18.8
3	MRCMPU	5.43	4.92	-0.51	10.3% Excess
	TOTAL	10.5	13.07	2.57	19.6

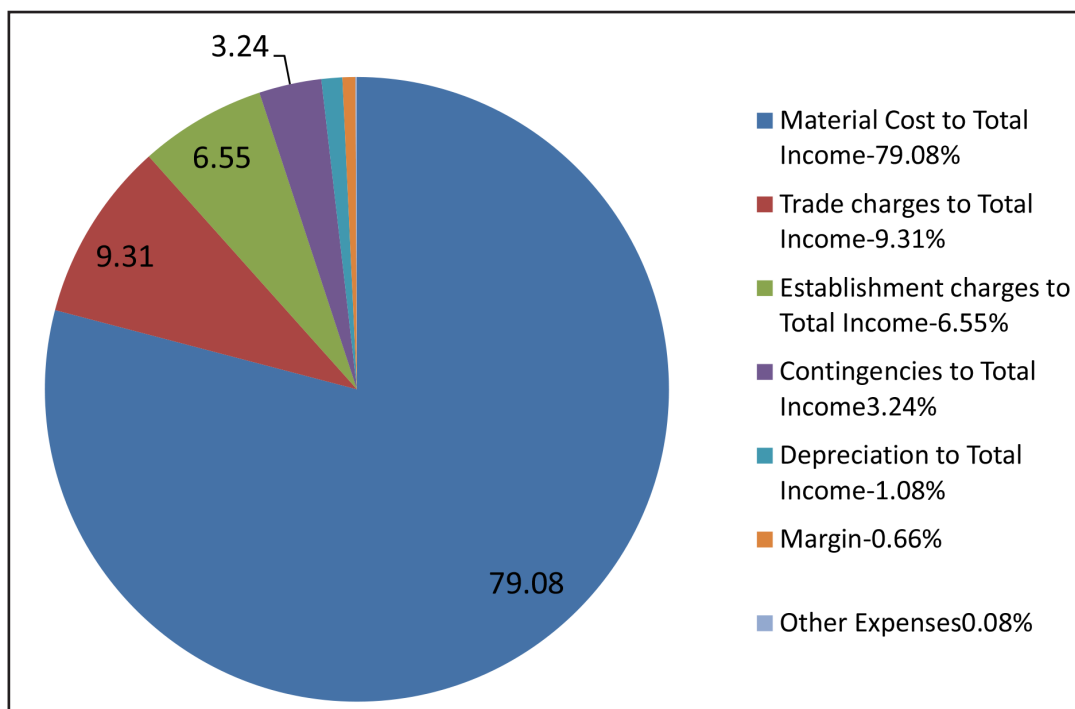
It can be seen that MRCMPU has procured the entire volume from within its area, while the other two Regional Unions namely TRCMPU and ERCMPU have brought in 49.3% and 18.8% of their requirement from outside the state respectively. Inter-Union transfer of milk especially from MRCMPU which has excess procurement is not done on a regular basis. The specific reasons for this are to be examined and remedial steps taken.

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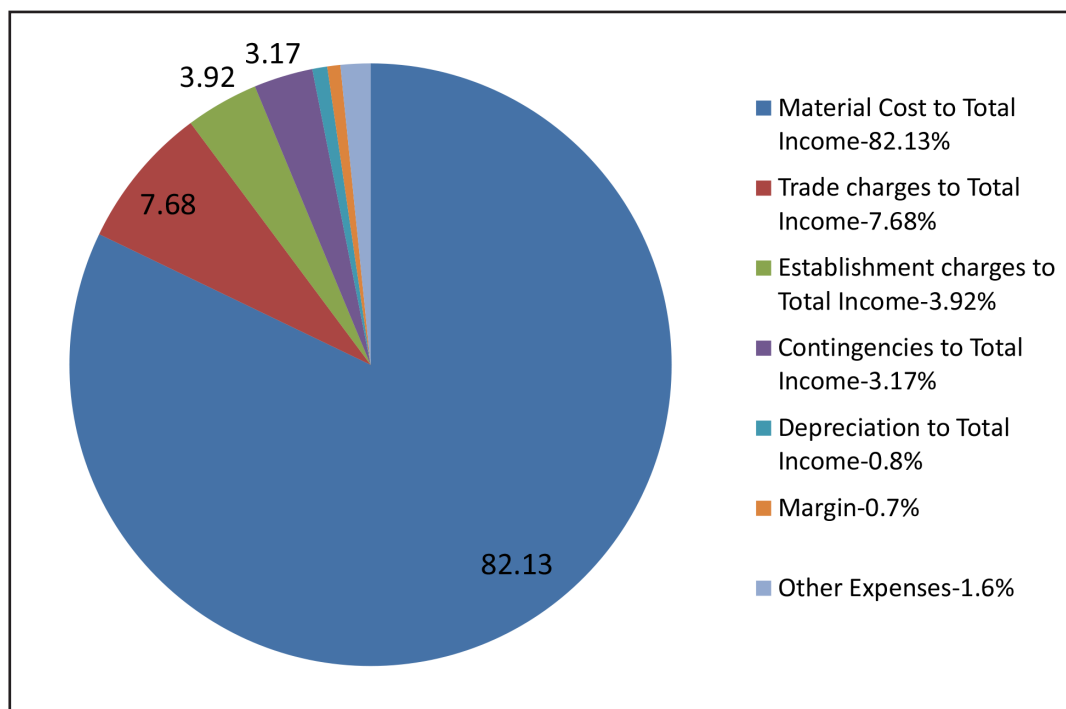
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### Income Distribution of One Rupee - ERCMPU

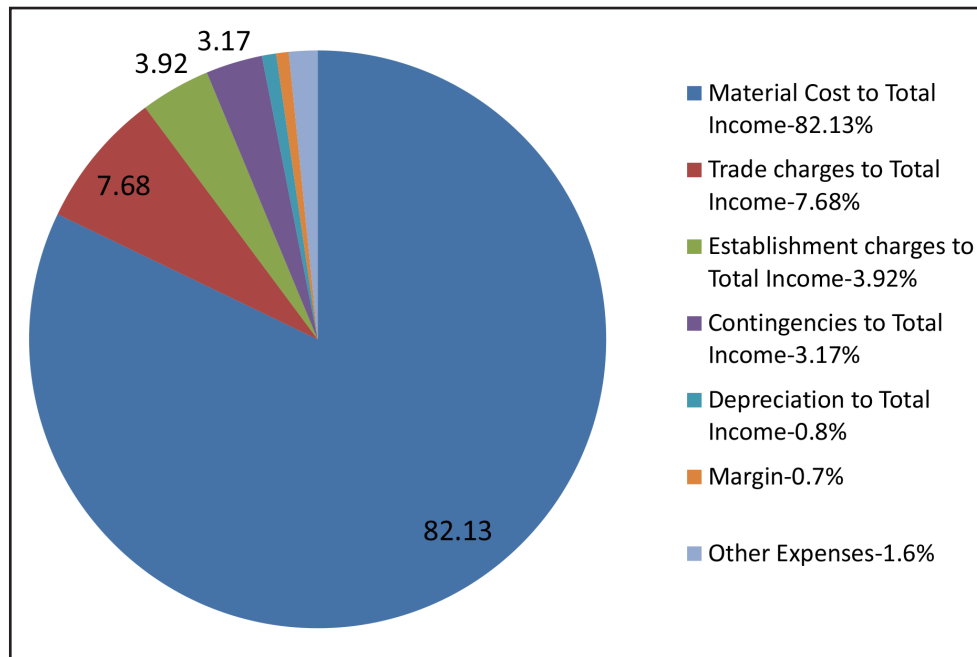


### Income Distribution of One Rupee- MRCMPU

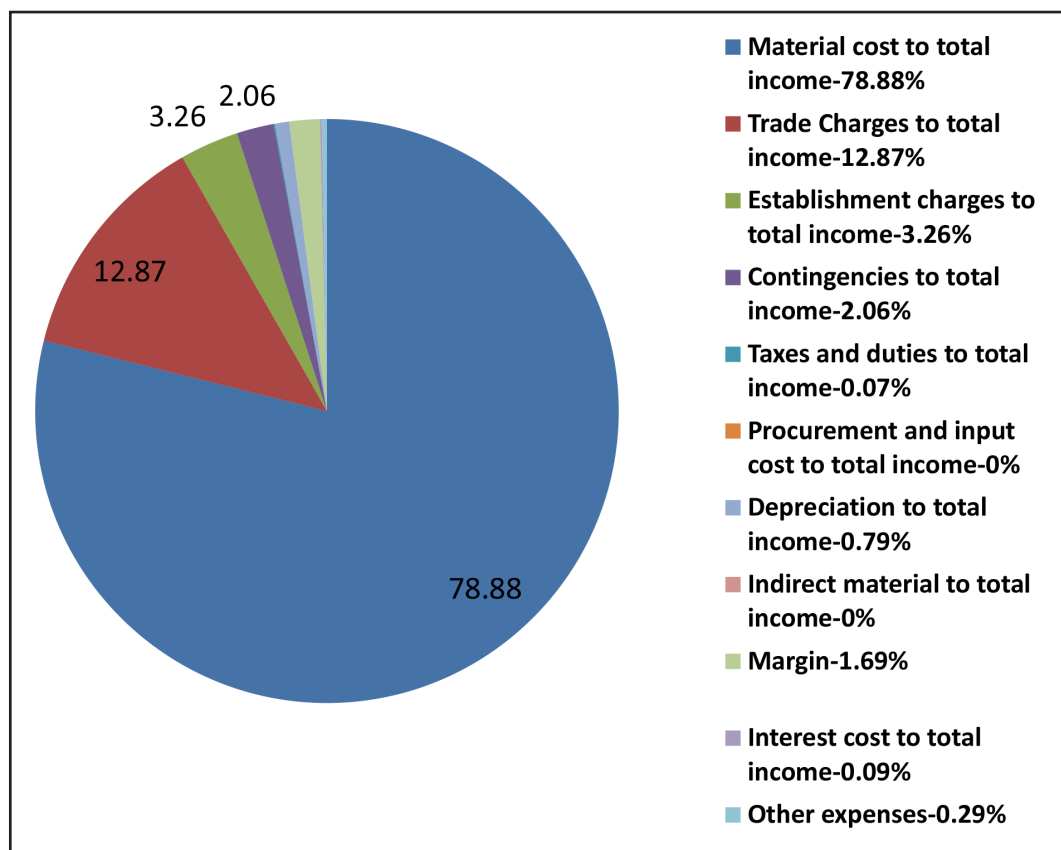




## Income Distribution of One Rupee- MRCMPU



## Income Distribution of One Rupee-KCMMF



## **Malabar Rural Development Foundation (MRDF)**

Malabar Rural Development Foundation is a charitable trust registered under the Indian Trusts Act 1882 on 16/10/2000 with the objective of socio economic development of milk producers promoted by Malabar Regional Co-operative Milk Producers Union (MRCMPU). The Trust was registered with the initial assistance of Rs.45 lakhs from Swiss Development Corporation and Rs.5 lakhs from MRCMPU. The major objectives of MRCMPU include:-

1. Financial support for the education of children of farmers and employees who have registered under the Trust.
2. Distribution of low- cost alternate cattle feed like beer waste.
3. Procurement and distribution of farm machinery like milking machines, chaff cutters, rubber mats etc. at reasonable rates to farmers.
4. Implementation of Farm Tourism Initiatives involving the linkage of dairy farms and scenic spots in Wayanad District so as to give tourists an opportunity to spend quality time with the dairy farmer in the village.

The activities of MRDF include:-

- a) Facilitation for farm mechanization.
- b) Sale of feed supplements
- c) Market intervention in alternate cattle feed and fodder.
- d) Custom packing and sales of food items.
- e) Vegetable project supported by Government of Kerala.
- f) Farm Tourism.

g) Corporate Social Responsibility.

The Board of Trustees include

1. The elected Chairman of MRCMPU.
2. Managing Director of MRCMPU.
3. A Representative of the major Donor (SDC)
4. One elected member of the Board of Directors of MRCMPU nominated by the Board of MRCMPU.
5. A representative of a reputed Non Governmental Organisation implementing similar social welfare programmes in the State of Kerala at least for the previous five years.
6. Two Presidents of APCOS affiliated to MRCMPU (of which at least one shall be a women) nominated by the Board of MRCMPU.
7. The Chief Executive of the Trust will be an ex-officio member of the Board of Trustees.

MRDF is operational since October 2000, and the Trust undertakes various programmes for supporting dairy farmers. During the sittings held at various districts, the stakeholders raised various complaints relating to the functioning of MRDF, viz. diversion of funds of MRCMPU, accommodation of retired hands in MRDF, taking commission on sales of cattle feed, feed supplements and dairy equipment to farmers. They were generally dis-satisfied with the functioning of this Trust.

Since the Regional Unions already have the P&I wing to carryout various activities including all the above input and farmer welfare programmes, the operations of the MRDF should be subjected to detailed examination and audit of accounts. This will help MRCMPU to examine the actual need for such a unit under it.

**Table No. 18**

**Comparative Statement of Income Distribution of Regional Unions**

Sl. No.	Name of Expenses / Item	TRCMPU	ERCMPU	MRCMPU	Average
1	Material Cost to Total Income	84.6	79.08	82.13	81.94
2	Trade charges to Total Income	5.47	9.31	7.68	7.49
3	Establishment charges to Total Income	5.43	6.55	3.92	5.3
4	Contingencies to Total Income	0.41	3.24	3.17	2.27
5	Depreciation to Total Income	0.4	1.08	0.8	0.76
6	Margin	0.47	0.66	0.7	0.61
7	Other Expenses	3.22	0.08	1.6	1.63
8	Total	100	100	100	100

Other expenses include taxes & duties, procurement and input cost, indirect material, interest income etc.



**CATTLE-FEED PLANT VISIT- KATTIYARA GUJARAT**

## CHAPTER 9

### Present Scenario of the Regional Unions

#### I. Lack of professionalism and appropriate management strategies.

There is an acute shortage of professionally trained managers to head the important activities especially those relating to marketing and identifying new markets for milk and milk products. With the retirement of the earlier team of well- trained and committed managerial personnel, there is at present an alarming lack of expertise in the Regional Unions. This is at a time when new management techniques and strategies are called for to face the aggressive competition from multinational firms and private companies in marketing of milk and milk products.

- i. There are several vacant senior posts that have been filled up with existing senior officers without ensuring the specific expertise and experience required for the positions. Retired hands are also employed on contract in pivotal posts, which can become problematic.
- ii. The work norms also need to be reviewed in tune with the automation of plant and machinery that have been implemented so far, so that the available manpower is utilised optimally. It is noted that despite substantial investment on upgradation of plant and machinery in the dairies, unnecessary manual handling is still continued at certain points, thereby increasing handling costs. Retraining /reskilling of the employees concerned is required here. **The productivity levels and operational efficiencies achieved by the dairy plants under GCMMF and Karnataka should be studied and appropriate steps taken. The Efficiency Standards for Dairies need to be achieved here too.**
- iii. The existing recruitment procedures in the Regional Unions are not transparent as there is scope for corruption at several levels. A time-bound



and fool-proof mechanism should be devised on the lines of the systems followed in leading institutions within and outside the state. There should not be room for interference from any quarter so that the best talents can be selected to serve in the organisation. **The practice of elected members of the Board of Directors participating in interview panels should be stopped.**

There is a dire lack of a second line of management too. One method to overcome this grave situation as a short-term measure, is to bring in suitable young graduates from IRMA and reputed Dairy Technology Institutions and Business Schools in India, and train them in all the required areas of work in the Regional Unions and in similar organisations outside the state. They can then be employed here for three to five years on salaries that match their qualifications and expectations. They should be given the mandate to achieve certain set targets in specific areas like identifying new and potential markets, increasing sales of value-added products, developing new products, reducing wastages and unnecessary expenditure, retraining employees for better work output and returns and so on. Government support can be sought for taking up these measures.

## **II. High cost of Internal Procurement and threat of low cost milk from outside**

The milk value paid to farmers in Kerala is an average amount of Rs. 34/litre which is much higher than the price paid in the nearby states. Hence there is the grave problem of inflow of cheaper milk from outside and entry of unscrupulous private players with an eye on profit.

The Regional Unions should, in collaboration with the Dairy Development Department explore ways to reduce the cost of production. The Animal Husbandry Department and KLD Board should support the Unions in enhancing

milk productivity and in disease management.

There is an urgent need to have a strong mechanism for checking the quality of milk at various points along the state border. The present system where the responsibility for quality checking has been entrusted with the Food Safety Authority, leaves much to be desired. This Authority has to ensure food safety norms of a multitude of food items, both raw and cooked. A huge deployment of staff who are trained in using different equipment and procedures for checking various types and categories of food materials is required here. Quality checking of milk is only one out of the huge number and variety of checking that they need to undertake. Therefore sufficient attention to checking inflow of sub-standard milk on a regular basis would not be possible for the Food Safety authorities. **Hence, the expertise and manpower available in the Dairy Development Department should be utilised for regular and systematic quality checking of all milk from outside the state as also in respect of spurious milk sold within the state.** Specific directions from Government are required for a co-ordinated checking and monitoring of the quality parameters of the milk coming into the state on a daily basis.

### **III. Failure to take advantage of brand image of MILMA.**

It is an acknowledged fact that MILMA has over the years become a household name in Kerala for affordable, accessible and quality milk and milk products. Despite the efforts of several new players in this field to reduce the popularity of this brand, their success has been limited. However the recent years have seen the entry of a number of reputed brands from large corporate- owned dairies and even from sister Co-operative Milk Federations. This requires the Regional Unions and the apex body, KCMF to take up strong, decisive and aggressive marketing campaigns to retain MILMA's own market as also carve out new and potential markets both within the state and in other states having

large Malayali population. There is ample scope for marketing MILMA products in foreign countries especially in the Gulf countries. **The Federation should lead the Regional Unions in this regard, develop attractive value-added products and take up a slew of activities to achieve the best possible gains out of the MILMA brand name, before it is too late.**

#### **IV. Problems related to affiliation, classification and eligibility of primary dairy co-operative societies.**

This point has been discussed at Item No.10 under “Problems relating to farmer members and the dairy co-operatives”. It needs to be stressed that the Regional Unions are bound to grant affiliation to all eligible APCOS that meet the existing norms and criteria for the same. Political or personal interests should have no place in the matter of granting affiliation. There should also be a mechanism for review and appeal with minimum delay.

The same applies to the matter of classification of societies under A, B, C, D categories which should be done in a transparent and objective manner by the Co-operative Department. Similarly, the eligibility of persons and societies to vote at the General Body meetings of the Regional Unions or to contest in elections to their Board of Directors should be strictly according to the Rules and Bye-laws. **The elected representatives should be genuine dairy farmers who pour milk in their societies as stipulated.**

#### **V. Shortage of manpower in key positions**

As discussed at item No. 1 above there is a shortage of professionals in the three Regional Unions due to retirements, delays in filling the posts with persons having the prescribed qualifications, absence of an efficient second line of management and delays caused by Vigilance inquiries and legal proceedings due to allegations of corruption and favouritism in the selection procedures.

Consequently, some of the key positions in technical, marketing and sales areas are filled by persons who do not possess the required qualifications or experience in that particular field.

It is therefore extremely important to work out a feasible solution to remove the near deadlock situation in this regard and bring in professionals through lateral entry and by re-training and re-skilling the existing employees.

## **VI. Lack of automation and under-utilization of existing facilities.**

Although the Regional Unions have upgraded much of their plant and machinery at substantial investment, the organisation has not derived the full benefits of such investments. This is due to the fact that any manpower reduction resulting from automation of processes and upgraded plant and machinery, is often resisted by the employees and the Board of Directors yield easily to such pressures.

It is seen that Agreements on improving work norms arrived at during negotiations with employee associations at the time of Pay Revision, are not complied with fully. **There should be a proper mechanism to monitor the implementation of the agreed work norms.**

Hence, all the areas where optimisation of manpower and cost efficiencies can be achieved should be identified and necessary measures worked out. All excess personnel should be given training and re-skilling courses that will upgrade their role and positions in the organisation. An effective and professional management will be able to take the employees into confidence and obtain their co-operation and participation for this exercise.

It is important to study how other Regional Unions in Karnataka and Gujarat have succeeded in these critical areas of optimising manpower and capacity utilisation and to replicate those that can be adopted here. **Similarly the**

**Efficiency standards of Dairy Plants adopted in successful organisations like GCMMF and AMUL should be followed here too so as to improve and monitor the processes in the dairy plants.**

## **VII. Collective bargaining power of trade unions and employees organisations and low labour output/ productivity.**

The role of trade unions and employee organisations in maintaining healthy labour relations cannot be under-estimated or overlooked. However they have to keep the growth and sustainability of the organisation as a priority at all times. They should be taken into confidence and given the required facts and figures to get a full picture of the present threats and challenges that the dairy industry is facing, internally and globally. Their strengths should be harnessed for the overall progress of the organisation instead of the present system of one-sided demands that could affect the organisation's financial viability and future growth. For this purpose, Work Study should be conducted periodically by competent and independent agencies and their recommendations should be implemented in full.

## **VIII. Regional imbalance in milk production and procurement of milk from outside state by some Unions with an eye on profit.**

The Regional Unions are expected to procure all the milk that is poured in the dairy co-operative societies by the members. However, two Unions, viz. TRCMPU and ERCMPU which do not receive the required quantity of milk from their societies, purchase their additional requirement from dairies under Regional Unions in neighbouring states. They are reluctant to absorb the excess milk procured by MRCMPU which has a larger area of operation, due to higher procurement costs in Kerala. This, along with transportation costs comes to a much higher amount when compared to the cost of purchase of milk from other states due to the lower procurement costs prevailing there.

**The Federation must play a more pro-active role here by balancing the procurement and sales of the three Regional Unions along with implementation of viable schemes for value-added milk products utilising financial support from Government and other sources.**

#### **IX. Prolonged continuance of existing board of Directors and need to improve quality of functioning**

There are several persons in the Board of Directors of the Regional Unions and consequently in that of the Federation, who are getting re-elected continuously. Thus there are persons who have been Directors and Chairman for over 20 years! This defeats the very spirit of co-operation in the APCOS pattern which advocates leadership from the grass-roots upwards. The present situation leads to creation of power centres and other undesirable practices in the Regional Unions. This has seriously weakened the managerial environment, as the officers tend to align themselves with the more powerful Directors. Further, there are several instances of their interference in the day-to-day executive functions, resulting in lack of professionalism in the organisation. In the present situation, most of the executive matters are unnecessarily taken to the Board of Directors for decision, which leads to allegations of corruption and favouritism.

At present the Managing Directors of the three Regional Unions are only holding charge and are not appointed on a regular basis. The elected Directors do not give due recognition or importance to their opinions even on technical matters. The Board also forms sub-committees consisting of elected Board members to look into and recommend decisions even on purely technical and administrative matters, which affects the quality of the decisions of the Board. These Directors even impose their wishes on postings, promotions, transfers, deputations, leave etc. of the employees, very often on political and biased considerations, without reference to the relevant Rules and Regulations.



Hence, the officers must be allowed to function professionally and with accountability in the best interests of the Regional Union. There should be clarity and guidelines on the specific matters that need to be taken before the Board of Directors like policy issues, long-term decisions, performance review, Yearly Action Plan etc. **Specific guidelines should be issued based on the Bye-laws, regarding the role and responsibilities of the Board members so as to avoid undue interference in and pressure on the executive functions of the officers of the Federation and Regional Unions.**

The earlier stipulation in the KCS act and Rules, that a member cannot be elected to the position of Director beyond a maximum of three terms, should be restored. This is the stipulation followed in the Regional Unions of other states like Andhra Pradesh and Telangana.

## **X. Streamlining the recruitment System**

The recruitment process in the Regional Unions at present gives room for allegations of corruption and favouritism and personal interventions of some elected members of Board of Directors. This results in ineligible persons getting selected which adversely affects the efficiency of the organization. Such allegations lead to institution of vigilance cases and litigations in various courts causing delay in the recruitment process. The recruitment to all posts in KCMMF has been entrusted to the Public Service Commission by the Government in 1995 while the three Regional Unions follow their own procedures for recruitment.

Following large scale allegations of corruption in the recruitment process in the Regional Unions, Government have proposed an amendment in the bye-laws of the Regional Unions relating to recruitments. This amendment proposes to constitute two committees viz Personnel Committee and Recruitment Committee with specific directives on the recruitment process and procedures.

It is expected that once the bye-laws are amended accordingly, the recruitment process in the Regional Unions will be transparent and efficient.

It is here worth noting that a Common Recruitment Board has been constituted for recruitment to positions in all Primary Credit Banks and societies. The posts in the District Co-operative Bank are already filled through the Public Service Commission. **However, the ideal solution would be to entrust the entire responsibility of recruitment to the Kerala Public Service Commission as has been done in the case of the Federation.**

## **XI. Redressal of grievances of the dairy farmers and APCOS societies**

The Regional Unions must be open in its interactions with the farmers and their co-operative societies at all times. Their demands for due share in the profits of the Unions, higher margin to societies, unhappiness over compulsory retention of 50% of their additional milk value as share capital, differences of opinion regarding quality and quantity of milk sent by them to the dairies and payment received etc., are all genuine. **These matters should be examined in a transparent manner and remedial action taken promptly, always mindful of the fact that they are the real owners of the organisation.**



**VISIT TO MELKADAKKAVOOR DIARY SOCIETY (TRADITIONAL DCS)**

## **CHAPTER 10**

### **Role and Functions of Kerala Co-operative Milk Marketing Federation Limited (KCMMF)**

KCMMF was registered on 21.2.1980 under KCS Act 1969 for the implementation of Operation Flood 2 with the entire state of Kerala as its area of operation. The objectives for which the KCMMF was formed, include the following:-

- i. Carrying out activities for promoting production, processing and marketing of milk and milk products for the economic development of the farming community.
- Development and expansion of such other activities as may be conducive for the promotion of the dairy industry, improvement and protection of milch animals and economic betterment of those engaged in milk production.
- For achieving the above objectives,

The Federation may advise, guide, assist and control Milk Unions in all aspects of management, supervision and audit functions. The objectives of the Federation also include produce and purchase of commodities from its members or from other sources without affecting the interests of its members, pool, process, manufacture, distribute and sell the same, arrange to manufacture, purchase and distribute balanced cattle feed, and for the purpose to set up milk collection and chilling centres, milk processing plants, product factories, cattle feed processing plants, godowns etc. in any of these districts covered under its area of operation. The Federation may also render technical, administrative, financial and other necessary assistance to primary milk co-operatives and to the member Unions and enter into collaboration agreement with others if the need arises. It may also plan developmental strategies and programmes, to increase the volume of procurement and production of the Federation and its member Unions for its effective marketing.

In general, the objectives of the Federation are to take all steps that are necessary, proper or conducive or incidental for the development of the dairy industry, dairy co-operatives and dairy farmers of the state. The Federation is also to take all necessary steps for the diversification of products using the brand name MILMA effectively and thereby increase the turnover and profit of the organization. (Amendment dated 22/2/2001)

Full text of objectives of KCMMF is given in **Annexure - 4**

## **Membership**

Any registered Milk Union falling under the jurisdiction of the Federation shall be entitled to hold membership in the Federation subject to the other conditions laid down in the bye-laws. The members of the Federation are TRCMPU, ERCMPU and MRCMPU.

The objectives of the member Milk Unions include the following:-

- i. To plan the programme schedule as per the directions of the Federation.
- ii. Process, manufacture and market all of its dairy and allied produce as per the directions of the Federation.
- iii. It is also the obligation of the members to adhere to the programme schemes and plans provided by the Federation in respect of all activities such as procurement, production, pricing, standards of quality etc.

## **Programming Committee**

As per the bye-law No. 32 of the Federation, a Programming Committee is to be constituted which is to take decisions regarding the various functions and programmes of the Federation and Regional Unions.

The Committee will consist of the following:-

- Chairman of the Federation

- Chairman of the Regional Unions.
- Managing Director of the Federation.
- Managing Directors of the Regional Unions.
- Senior Manager (Marketing) of the Federation.
- Manager (Quality Control) of the Federation.

The Programme Co-ordinator, National Dairy Development Board/Kerala Co-operative Milk Marketing Federation will be an invitee to the Committee. The Senior Manager (Marketing) of the Federation will be the Convenor of the Programme Committee. [Amendment dated 29-1-1988]

The important functions of the Programming Committee are the following:-

- To recommend the manufacturing programme for the ensuing year and to review it periodically.
- To fix the minimum standards of the product to be manufactured and marketed by the Federation.
- To recommend the programme for organising the milk co-operatives and milk routes in different Milk Unions.
- To recommend the rate of various costs of manufacture, processing, commissions packaging charges, overhead charges, subscriptions, royalty etc.
- To recommend prices of raw materials and/or finished products and for that matter recommend periodically the conversion factor for expressing Fat and SNF into units.
- To prescribe and recommend the terms and conditions for procurement, chilling, processing and marketing of dairy and allied products.
- To review the policies regarding procurement and marketing periodically.

- To suggest measures for increasing the productivity of the member Unions and assist in implementing the same.
- To suggest to undertake market research and development.
- To plan production and procurement, keeping in view the market strategies.
- To advise and assist Milk Unions in all aspects of management.
- To recommend financial, technical, administrative and other necessary assistance to the member Unions and to recommend to enter into collaboration agreements.
- To advise Member Unions on public relations and allied matters.

### **Present Scenario**

- i. It can be understood from the above provisions in the Bye-laws that the Federation has a key role in guiding the Regional Unions and the dairy co-operatives in achieving their objectives and goals. The reality unfortunately, is that the Federation has deviated greatly from its responsibilities of coordinating, guiding and supporting the Regional Unions. It has not been able to organise the marketing strategies required to retain and enlarge the MILMA presence and visibility in the market. It is no longer supporting or guiding R&D activities to develop new and varied milk products that can bring in value-addition and better returns to the dairy farmers. The Regional Unions are largely left to their own devices, to manage their milk procurement whether deficit or excess, and to develop their own new milk products. **This situation should be set right and the Federation should take effective action to regain its leadership role by re-examining its various activities and by learning from the examples of successful Federations in other states.**
- ii. The Federation today is in a certain manner competing with its own Regional Unions in production and sales of value-added products! (It produces and



sells ghee under a different name - 'Samrudhi' from its Central Products Unit.) This goes against its very objective of co-ordinating and guiding the marketing activities of its member Unions. **Hence the matter should be reviewed in the best interests of the organisation and the dairy plant and Products Unit in Alappuzha, should ideally be handed over to TRCMPU.**

- iii. The two Cattle feed Plants under the Federation are not functioning at their full capacity. There are several shortfalls in the rational utilisation of manpower here. The units receive a price equalisation support of Rs.100/bag from the Regional Unions which is not fully justified. The quality and price of feed is said to vary several times in a year, causing difficulties to the farmer. The Federation should be able to use the e-procurement portal of NDDB more effectively for keeping the quality and price of their product stable for at least a year. **There should be higher protein content in the feed, diversified products to meet the nutrition needs of the animals at various stages in the life cycle and improvement in the upkeep and maintenance of the Plant**
- iv. The Programming Committee of the Federation is a powerful tool for the Federation to take the leadership role in its relations with the Regional Unions. This mechanism should be strengthened and the Federation empowered to function in accordance with the powers vested in it under the Bye-laws. The system followed in Gujarat and Karnataka Federations should be studied and their practices adopted as far as possible
- v. The acute shortage of qualified personnel especially in marketing, to identify new areas and to reinforce existing strengths is a serious problem in the Federation. Due to this, it is unable to provide support to Regional Unions in professional skills, appropriate technology and management techniques. This should be remedied expeditiously.

- vi. Key positions are being held by retired employees or through ad hoc and temporary appointments which can become problematic. Lateral entry of young professionals from institutions like IRMA, leading institutes of Dairy Technology and Business Schools, should be considered for short-term employment with specific targets. Urgent action is also called for to get the recruitment procedures through the State Public Service Commission, expedited. A system of timely reporting of vacancies is to be followed
- vii. With each Regional Union functioning in more or less watertight compartments, the Federation is not in a position to use the available expertise across the organisation.

**Hence a common cadre of senior professionals from Assistant Manager level upwards as is the system in the other Regional Unions and Federations in India, would be of great help to optimise utilization of available skills and expertise.**

- viii. Prolonged continuance of persons on the Board of Directors and non-induction of new faces and talents.

There are several persons in the Board of Directors of the Regional Unions and consequently in that of the Federation, who are getting re-elected continuously. Thus there are persons who have been Directors for over 20 years! This defeats the very spirit of co-operation in the Anand pattern which advocates leadership from the grass-roots upwards. These persons at times tend to take biased positions even at the cost of the organisation.

- ix. The meetings of the Board of Directors are generally centered on routine administrative matters instead of dealing with important policy issues, long-term decisions, performance review, Yearly Action Plan and other matters that affect the growth and development of the organisation. Specific

guidelines should be issued based on the Bye-laws, regarding the role and responsibilities of the Board members so as to avoid undue interference in and pressure on the executive functions of the officers of the Federation and Regional Unions.

- x. **The earlier stipulation in the KCS Act, and Rules that a member cannot be elected to the position of Director beyond a maximum of three terms, should be restored.** This is the stipulation followed in the Regional Unions of other states like Andhra Pradesh and Telangana. Another model that can be followed is the “Perpetual Board” where one fifth of the elected members retire every year.

- xi. Role of Dairy Development Department as a Facilitator

In other states following the Anand Pattern, the Managing Director of the Federation is the Registrar of Dairy Co-operatives. This helps them to ensure the proper functioning of the three -tier system on the lines of the Anand pattern. Here in Kerala, the Director of Dairy Development is the Registrar of Dairy Co-operatives. While this arrangement serves to bring the APCOS under the coverage of various departmental schemes that benefit the dairy farmer and the sector in general, there are chances of the department bringing in bureaucratic and governmental controls that affect the smooth functioning of the co-operative organisation. MILMA being the only large co-operative organisation that is running on profit, the Dairy Development Department should act as a facilitator and offer necessary support working in co-ordination with the Federation and the Regional Unions. The department through its extension services, milk shed development programmes, training and quality awareness programmes can greatly strengthen this co-operative organisation to enable it and the sector as a whole to develop to its full potential.

## **CHAPTER 11**

### **Visits to Related Organisations in Other States**

As part of the Study, the Committee visited (a) certain states that had achieved commendable progress through Operation Flood and were continuing as such and (b) states where the Anand Pattern had undergone a re-structuring process in the last several years. The Committee therefore visited Karnataka, Gujarat, Telangana and Andhra Pradesh.

#### **Karnataka**

The major institutions visited include Karnataka Milk Federation (KMF), Dakshina Kannada Milk Union Limited (DKMU), upgraded dairy plants, selected Model BMC dairy co-operatives run by women and the Regional office of NDDB.

The dairy co-operative organisation in Karnataka follows a three tier system with primary dairy co-operative societies at village level, 13 District Milk Unions having one or more districts as their area of operation at the second tier and Karnataka Co-operative Milk Producers Federation (KMF) at the apex level.

The primary dairy co-operative societies are dealing directly with farmers in the form of collection of milk, payment of milk value and various input services. It was noted that the primary societies also provide AI, veterinary emergency services and minor veterinary service. In societies having bulk milk coolers (BMCs), the assessment of quantity and quality of milk supplied to the Union is jointly entrusted with the Secretary of the society and a person authorized by Union. This serves to ensure transparency and accuracy in the handling and transportation procedures.

With regard to the functioning of District Milk Unions, they carry out the normal activities such as procurement of milk from the dairy co-operatives, processing, value addition and marketing. The Committee could understand that

the managements of the District Milk Unions concentrate on the thrust area of marketing of milk and milk products in their respective areas of operation. The excess quantity of liquid milk as well as milk products are transferred to the Federation which takes up the responsibility of production of other value-added products and optimum utilisation of the excess milk.

As far as representation of primary dairy co-operative societies in the Managing Committee of the District Union is concerned, they follow a rational and democratic approach. The representative of each sub -division is elected from the primary dairy co-operatives affiliated to the Union from the said subdivisions. The two elected general woman members in the Board of Directors are elected from the member societies of each district under the Union.

Regarding their management of human resources, the Federation and Unions have a common cadre system from the level of Deputy Manager upwards. This enables appropriate deployment of senior personnel and optimum utilisation of professionals as required. It also results in transparency, professionalism in decision-making and loyalty to the organisation.

It was informed that DKMU has been paying dividend upto 25% to its member societies during the last seven years and that this has been increasing every year.

### **Karnataka Co-operative Milk Producers Federation (KMF)**

By virtue of its name, Karnataka Co-operative Milk Producers Federation (KMF) has been playing a pivotal role in facilitating the marketing activities of the 13 affiliated Milk Unions. The entire quantity of surplus milk or milk products generated by the Unions are taken over by the Federation. It is estimated that about 30 % of the total production is handled by the Federation.

According to the philosophy of APCOS co-operatives, the Federation as the apex body has to play the role of leader, co-ordinator and guide. This principle is followed by the Karnataka Co-operative Milk Producers Federation to a commendable level. Since the organisation has a common cadre of senior officers, it is able to provide support to the Unions in professionalising their activities through modern management practices.

“Nandini”, the brand of Karnataka Co-operative Milk Producers Federation is a market leader in the state and its strong brand image enables the Unions to procure and market more milk and milk products. The initiative taken to identify markets outside Karnataka is a great boon to the societies and Unions. The conversion of the surplus milk into skimmed milk powder gives confidence to the Unions to encourage and promote higher production and procurement of milk.

It is also learnt that the Karnataka Co-operative Milk Producers Federation is getting support from Government of Karnataka to encourage milk production and marketing. The subsidy given by the Government @ Rs.5/- per litre to the farmers enables them to adjust their cost of production. Various government schemes to promote milk consumption through free supply of milk to school children and pre-schoolers in Anganwadies, apart from being a great support for enhancing their nutritional levels also provides an outlet for sale of milk procured by the organization.

## **Gujarat**

To have a deeper understanding about the working of a successful 3- tier system, the Committee identified the Gujarat Co-operative Milk Marketing Federation (GCMMF), selected District Milk Unions and primary Dairy Co-operative Societies for its study visit to Gujarat.



The primary Dairy Co-operatives perform the usual operations such as milk collection, payment to farmers, input services etc. An unique feature here, is that the time gap between two daily collections in the societies is sufficiently wide so that the farmers are benefited with respect to higher milk yield, work involved, leisure time for family affairs etc.

**Milk Unions:** Unions cater to the needs of the primary Dairy Co-operative Societies in the form of procurement of milk processing value addition and marketing. As far as Primary Dairy Co-operatives are concerned, the Unions are capable of procuring all the milk supplied by them. The capacity of Banaskandha Milk Union in Mehasana district which was only 75000 litres in 1992, could thus be raised to 50 lakh litres by 2017.

In addition to the usual business operations, the Union gives priority to input services particularly AI and veterinary services. They have appointed their own veterinary doctors and skilled AI Technicians, both male and female, so that there is no complaint from the farmers in this regard.

## **GCMMF**

The Committee could understand that the Federation in Gujarat is able to play the real role of an apex body focusing on marketing. It is seen that the 4 P's of marketing – product, price, promotion and place -are well taken care of by the GCMMF, which in turn has made the GCMMF products a world famous brand. It has a wide range of sophisticated products like chocolates, ice creams, yoghurts etc. of various flavours that are greatly sought after. The focus on quality is another important aspect which has made the AMUL brand so popular and profitable. Through different marketing strategies the GCMMF could enter into markets of other states, as well as outside the country.

Their cattle feed plants work to a high capacity and offer a wide menu of

feeds and supplements to meet the need of the animal at various stages of its life cycle. The plant and machinery are fully automated and cost-effective with emphasis on optimum utilization of manpower. The raw materials are procured through the e-procurement portal supported by NDDB. The Board of Directors are highly supportive of the professionals in the organisation, though there are certain political factors involved here.

## **Telangana and Andhra Pradesh**

The Committee visited Andhra Pradesh and Telangana states to study the functioning of the dairy co-operative sector where the three-tier dairy co-operative system does not exist. The Committee first visited Shreeja Milk Producers Company Limited in Chittoor District which was registered under the Andhra Pradesh Mutually - aided Co-operative Societies Act. The area of operation of the Company is Chittoor, Ananthapur and Nellore Districts of Andhra Pradesh. The average milk procurement of the Company is around 3 lakh litres/day. Only women dairy farmers are the members and its Board of Directors consists of 14 members out of which 11 are farmer members and three experts of which one expert should be a woman. The purchase price of milk varies from Rs.23 to 30/litre and payment is made on the basis of Total Milk Solids. The milk is being procured from around 2350 milk pooling points and every farmer has to take shares in the company. For every share, the farmer can supply 100 litres of milk and based on the quantity of milk supplied, the farmer has to take additional shares in the Union. The Shreeja Milk Producers Company has around 71,000 members and political party members not allowed to get elected to the Board of Directors. NDDB Dairy Services provide technical support and facilities for processing, transportation and marketing.

The main features of Shreeja Milk Producers Company are the following.

- No governmental control over these societies.

- Democratic method of functioning and rotation of Chairman after every term.
- Active political party members are not allowed on the Board Directors.
- The company gives dividend to shareholders and there is appreciation in the share value.
- The company is entirely managed by women dairy farmers.
- The company processes the milk through Balaji Dairy and the surplus milk is marketed through Mother Dairy.
- The Administrative cost of the company is around 1% and permanent employees are only 100 in number.
- There is rotation of Board of Directors, and 1/3 of the Directors are replaced every year.

The Committee also visited Nalgonda Milk Union in Telangana state which is registered under the Andhra Pradesh Mutually - Aided Co-operative Societies Act (AP MACS Act) of 1995. The members of this Union are 600 primary women dairy co-operatives (WDC's) spread over Nalgonda and Rengareddy districts. Each primary dairy co-operative has to supply a minimum of 15000 litres/year for retaining their membership and active participation in the Union. The average milk procurement of the Union is about 1.3 lakhs /day. The Union is also doing co-packing for AMUL. The average procurement price is Rs.29/- to 30/- per litre and selling price is Rs.32/- per litre. The payment of milk value by the union is on the basis of Total Solids for cow milk i.e., Rs.220/Kg of total solids and for buffalo milk, it is on the basis of fat i.e. Rs.570/kg of fat.

There is rotation of Board of Directors in every three years, and reservation for 2 women in the Board of Management. The Union is providing AI and minor veterinary services to farmer. The Union is regularly paying dividend to shareholders. The audit of the accounts of the Union and societies is done through chartered accountants.

The Committee also met the Managing Director of Telangana Milk Marketing Federation. During the discussions it was informed that Milk Union of Andhra Pradesh opted for registration under Andhra Pradesh MACS Act and thereby they became independent of the Federation. Hence the Federation does not have affiliated Regional Unions and the milk processed in its dairy is collected from primary dairy co-operatives in and around the state capital, Hyderabad. The Dairy Cooperatives being independent are free to supply milk to Regional Unions, the Federation and even to private dairies. This system has weakened the entire dairy co-operative structure and has paved the way for entry of several large private players. The difficulties in not having Regional Unions and the problems in developing and retaining its market in a highly competitive field were indicated. As the supporting mechanism of the Anand Pattern does not exist in this state, the Federation and the dairy co-operatives have yet to become viable. Besides, the issues relating to the division of assets following the bifurcation of the state are yet to be resolved between the Federations of Telangana and Andhra Pradesh.



EXPERT COMMITTEE VISIT TO DKMU; KARNATAKA





**DISCUSSIONS WITH KMF OFFICIALS**



**AMUL SHOPPY GUJARAT**





**IDMC- VISIT ANAND**



**A PRIMARY DCS IN ANAND**





**DISCUSSIONS WITH Smt. NIRMALA IAS, MANAGING DIRECTOR TELANGANA CO-OPERATIVE MILK MARKETING FEDERATION, AT HYDERABAD**



**MEETING WITH SRI. R.S SODHI, MANAGING DIRECTOR, GCMMF Ltd. AT ANAND, GUJARAT**

## **CHAPTER 12**

### **Physical and Financial Performance of the three Regional Unions and Federation**

In order to obtain a clear picture of the overall performance of the four organisations, TRCMPU, ERCMPU, MRCMPU and KCMMF, the Committee has examined their financial reports of the last 5 years namely Profit and Loss Account, Trading Account, Balance Sheet, Audited Reports as well as the Annual Reports. The reports have been analysed with the help of financial experts to arrive at an in-depth evaluation on the following criteria:-

- Procurement and the input cost,
- Processing cost,
- Employee cost,
- Net worth and borrowing capacity,
- Safety Margins,
- Break-even business,
- Capacity Utilisation,
- Sales and marketing cost,
- Per-litre cost of operations,
- Scope for cost reduction and identification of wasteful expenditure,
- Share capital and Dividend paid,
- Capital Reserves,
- Yearly Plan of Operation, and other aspects

The results of the in-depth analysis of the physical and financial performance of the Federation and the three Regional Unions are given below. This analysis is also based on the parameters mentioned above and as compared to the Dairy Industry Standards at national level.

## Consolidated Analysis

### Share capital Debt Capital

An analysis into the net-worth and debt equity aspects of Milk Unions is presented below for understanding the capital structure.

Table No. 19				
Sl. No.	Particulars	Name of Organisation		
		TRCMPU	ERCMPU	MRCMPU
1	Share Capital & Net worth	7385	5982.54	13708
2	Debt	610	73.51	00
3	Average interest income	95.33	125.97	403
4	Borrowing Capacity	110775	89730	205620
<b>Source:-</b> Compiled from Annual Reports , Audit certificate & Memorandum of Milk Unions.Net worth is calculated as per the guide lines of NDDb, Maximum borrowing capacity of Milk Unions are calculated as per the bye laws , i.e,15 times of net-worth				

The financial soundness of an organization is judged by the benefits that is accrued to its stake holders. The distinct characteristic of a co-operative organization is that it meets the economic, social and cultural needs of the members. The derived capital structure of the three Regional Unions shall serve to meet the fundamental objective of protecting the farming interests of the members. Hence, this aspect needs to be analysed by looking into the benefits given to pouring members of their affiliated units.

The trend in the capital structure of the Regional Unions, clearly indicates that the share capital mobilization from their primary dairy co-operative societies is the main method of mobilization of capital on an annual basis. Hence the share capital base is dominant while the debt capital is only a paltry amount. The present capital structure makes all the Regional Unions financially sound and stronger every year, without in any manner benefitting the primary dairy co-operatives. It is also seen that, had the Unions created any useful or profit-generating assets from their large share capital base, the farmers and primary

societies would have benefitted greatly. This is a matter of concern which should be examined in detail and remedied.

However, since share capital is a vital resource, its perennial source needs to be ensured by designing appropriate financial products. The common practice of co-operative organizations is to mobilize thrift/savings from the members from a regular source of income. Considering all the above, an appropriate hybrid debt capital or secured preference capital may have to be designed by the Union on priority basis. The surplus generated out of operations, on which the members have a rightful claim, should be used not only for augmenting the borrowing capacity of the Union but must also be useful for increasing the financial soundness of its member co-operative societies.

It can be seen that during 2012-13 to 2016-17, the three Regional Unions have recorded a mammoth growth rate in their capital base. But the question remains as to whether the financial health of the primary dairy co-operatives have achieved commensurate growth rate or does the investment of the primary co-operatives in the Regional Unions earn them optimal returns? The answer is sadly in the negative.

In a span of half decade, TRCMPU has not declared dividend while ERCMPU has declared dividend only once which means that the equity contribution from the members is not beneficial for the affiliated societies.

The huge piling up of equity capital is seen to be put in generally non-productive investments which has resulted in unwieldy deployment of funds in fixed assets and net current assets. The growth rate of fixed assets in the reference period is very high and net current assets are very much more, but the return on capital employed has recorded very low percentages. Clearly, the investment in fixed assets and net working capital has not been effectively used by the Unions for the benefit of their member societies. Though the above observations are true for all three Unions, it is seen that MRCMPU has taken better care of its members.



Considering all the above, it is suggested that the Unions take steps to provide additional milk value to the member societies or better still, procure quality feed, fodder, mineral supplements etc. in bulk for supply to the farmers. This will help reduce the high cost of milk production in the farm. The present huge mismatch in the financial health between Regional Unions and their primary societies can be overcome by creating a Corpus Fund in the dairy co-operatives which should be used to pay milk incentives to farmers as also for providing salary support to the employees of the dairy co-operative society. Additionally, the dairy co-operatives may be given the option to deposit their additional milk incentive amount with the Regional Union. Such deposits shall be treated as a hybrid debt capital at an agreed interest rate. This system is followed in almost all the Regional Unions in other states in order to encourage the dairy societies to invest in their Union. It also increases their sense of ownership in their Union and the desire to facilitate its growth.

Other important financial aspects of the organisation are discussed in **Annexure No. 5.**

Founders of Anand Pattern Co-operative Societies in India

**Dr. V. Kurien & Tribhuvandas Patel**





## **CHAPTER 13**

### **Observations of the Committee**

The Committee discussed the various inputs received from the stakeholders, analysis of Reports and related data, and information obtained during its site visits and other sources. Based on the above, the Committee makes the following observations:-

#### **I Dairy Farmers and Dairy Societies**

The well-being and prosperity of the dairy farmer under a strong co-operative structure that will translate into sustainable livelihoods and nutritional status especially of women, and ensure self-sufficiency in milk production thus contributing to economic growth and development, are the declared objectives of the Government of Kerala regarding this sector. Accordingly, meeting the needs of the dairy farmer has to be the primary concern.

- i. The first and foremost demand of the dairy farmers at all the sittings of the Committee state-wide, relates to the non-availability of Artificial Insemination at their doorstep round- the- clock. It is a sad fact that the number of AI per calving has deteriorated from three in 2009 to four and five in 2017. This is an alarming situation as every month lost, results in great loss of income to the farmer and also affects the productivity of the animal. While the Animal Husbandry Department has substantial infrastructure and personnel, the fact remains that the farmer generally does not get the service as and when needed nor does he have a choice regarding the semen he prefers for his cow.

Sri. R. Heli in his Report of 2009 has strongly condemned the general practice of taking the semen straws in plastic bottles to the farmstead instead of transporting them in the cryo-cans at the stipulated low temperature.

He has termed this a 'criminal act'. Unfortunately the situation has not improved till date. **(Abstract of R.Heli committee Report is at Annexure .6)**

Hence, suitable persons from among the employees of the dairy co-operatives should be imparted training in AI and First Aid and the required types of semen entrusted with the societies in cryo-cans by KLDB. In Gujarat, Karnataka, Telangana and Andhra Pradesh, women and male employees of the co-operatives are taking up this responsibility to the full satisfaction of the farmers. Certainly, this should not be a problem for a highly literate state like Kerala. In addition, Live-stock Inspectors of the AH department, both serving and retired residing in the local area, could be given this responsibility.

**The Committee is of the view that this long-standing and genuine grievance of the farmer should be redressed by Government at the earliest.**

- ii. The insurance schemes implemented by various agencies in this sector should be integrated to provide Comprehensive Insurance coverage to animals, farmers and their dependents and the formalities for enrolment, claims, renewal etc. should be simplified. The pattern followed for crop insurance and other insurance support given to the agriculture sector should be adopted here too.

A corpus Fund should be created under the functional Registrar of Dairy Co-operatives using the statutory provision made towards Cooperative Member Relief Fund. This fund should be utilized for assisting dairy farmers in distress on the lines of the Disaster Relief Assistance provided by the Revenue Department.

- iii. The cost of production of milk should be controlled by providing inputs like subsidies for cattle feed, fodder and quality veterinary medicines by Government. New feed substitutes and Ration Balancing etc. should be

popularised. Commercial fodder production is not practiced in Kerala due to the scarcity of land. However fodder production on barren land, cultivable fallow land, lease land and intercropping with other crops especially in coconut plantations, must be encouraged by local bodies using MNREGS and involving Self help groups. The Agriculture Department must actively consider permitting fodder cultivation in fallow paddy lands for limited periods. Fodder banks must be created in every Panchayat by utilizing barren land for cultivation and storing fresh straw and the marketing should be done by DCS. Non -dairy farmers can also be encouraged to take up commercial fodder cultivation.

- iv. Bank loans for dairying should be given at the same rate of interest as given for agricultural loans. Alternatively, government could offer interest subsidy as is done in other states like Gujarat, Karnataka and Telangana. Here, the statutory provisions remitted in the Cattle Development Fund by the dairy co-operative societies, should be utilised.
- v. The rearing of more than five cattle is categorised as “hazardous job” and farmers require license from the local self-government and clearance from Pollution Control Board. This creates several hurdles in conducting dairy farming in a state like Kerala where land availability is limited and many farmers are compelled to abandon dairying due to objections and other issues. An Appeal Committee with experts from Dairy Development Department, Animal Husbandry Department and Pollution Control Board should be constituted to dispose of such disputes. Support for setting up bio-gas plants as an option for the management of waste and other means of disposal of effluents, need to be given.
- vi. All female calves produced must be registered under an enlarged SLBP scheme in the local Dairy Co-operative Society or veterinary dispensary. The

animals should be provided all assistances from birth to calving throughout the year under a close monitoring mechanism. Only such measures can ensure a healthy herd- strength within the state, as large-scale purchase of heifers from other states can prove to be counter-productive. The requisite funds can be pooled from LSGD and the budgetary provisions of Dairy Development and Animal Husbandry Departments.

- vii. The demand of the farmers that procurement of milk should be on the basis of weight and not on volume as the milk is procured in litres in the primary society but is accounted in the dairies in kgs, needs active consideration. This will remedy the farmers' complaint of 3 kg loss / 100 litres in the present system of accounting.

The price of Fat & SNF per Kg should be clearly indicated in the Milk Value Chart which will make the transactions transparent and complaint-free. The quality and quantity of milk should be recorded at the collection point itself to reduce allegations of irregularities, when milk is poured in the BMC. Hence in order to prevent losses during transportation from BMC society to the dairy, the responsibility for the assurance of quality and quantity of milk should be entrusted with the Secretary of the BMC society and an authorized person from the Regional Union.

- viii. Irregularities in granting membership, affiliation of societies, audit classification etc. should be removed. The relevant provisions in the KCS Act and Rules need to be amended so that part of the 35% of the net profit of the dairy co-operatives which is remitted under the statutory provisions, is utilized for the benefit of the dairy farmers and their societies. The changes proposed in the profit-sharing pattern should be studied in detail and suitable steps initiated to give a fair deal to the farmers so that they can earn a reasonable livelihood from dairy farming. Further, this

increase in the income of the DCS will facilitate payment of salaries to the employees according to Section 80.

ix. (a) The often repeated grievances of the farmers regarding,

i) erratic and irregular supply of cattle feed,

ii) frequent increase in its price

iii) variation in the quality of the feed etc.,

all need to be addressed. The Federation should be able to take advantage of the e-procurement portal of NDDB to procure the raw materials at the lowest prices. This will ensure that the supply and cost of the raw materials are not affected by price fluctuations in the market. Thereby it will be possible to keep the cattle feed prices and its quality stable for a reasonable period of time.

(b) It is also time to explore methods of enlarging the menu of feeds and supplements produced so as to meet the requirements of the heifers and milch animals through various stages of their life cycle. It is worth noting that the protein content of the cattle feed here is only 18% as against 20 % and above in other states.

(c) In the absence of laws to regulate and ensure the quality of cattle feed and feed supplements in the state, it is necessary to formulate suitable legislation using the Model proposed by NDDB. Dairy Development Department and Animal Husbandry Department should work together on this issue without delay.

x. The compulsory retention of 50% of the additional milk value payable to the dairy farmers by the Regional Unions, as their contribution to share capital, is a matter of strong criticism by the dairy co-operatives. While the Regional Unions require a strong share capital base for their capital investments,



the present systematic accumulation of share capital without investment in fixed assets that increase productivity and financial returns, is a matter of concern. In other states like Gujarat, Telangana and Andhra Pradesh, the primary co-operatives receive reasonable returns on their shares. The value of the shares also increases yearly which brings additional benefit to the co-operatives. These initiatives should be studied and adopted here too so that the producer members and Dairy Co-operative Societies receive adequate returns on their investments in the share capital base of the Regional Unions.

- xi. Strengthening of quality control activities to ensure the quality of milk produced within the state and milk brought in from across the state borders, is of utmost importance. The Dairy Development Department should be given full responsibility for this. Additional Quality Checking Centres, equipment and staff that are necessary to carry out these tasks should be provided. The field extension and dairy advisory services of the department need to be restructured and their services provided at Grama Panchayat level. This will help to ensure clean milk production right from the farm to the consumer.

The present system where the responsibility for quality checking of milk has been entrusted with the Food Safety Authority, leaves much to be desired. Due to the multitude of food items, both raw and cooked, that have to be checked, the Food Safety Authority is unable to devote sufficient attention to checking inflow of sub-standard milk, on a regular basis. Hence, the expertise and manpower available in the Dairy Development Department should be utilised for regular and systematic quality checking of all milk from outside the state as also in respect of spurious milk sold within the state. For this purpose, qualified officers of the Dairy Development Department

may notified as designated officers in the case of milk and milk products under FSSA Act.

- xii. The lack of co-ordination between the departments and agencies resulting in duplication of activities and leaving un-attended, certain critical areas in the dairy sector, needs to be remedied without further delay. This mechanism should be in place, right from the stage of Plan discussions on the on-going and proposed schemes for the Annual State Budget right up to the implementation stage. A State-level Coordination Committee headed by the Secretary to Government, should be constituted with representatives of the departments and agencies involved in the dairy sector. Similar Committees should be constituted at district level and block level too, in order to monitor all the activities related to the development of this sector. Quarterly reviews using a common software for MIS and collection of relevant data, should be held at State, District and Block levels to take stock of the progress and to implement corrective action as required.
- xiii. The issues related to Large and Hi-tech Dairy Farmers indicated in Chapter V need to be examined and suitable steps taken to address them. This will encourage more young entrepreneurs and returnees from the Gulf countries to enter this field.

Their main requests are, (a) to make available prompt, scientifically handled and quality semen of their choice, including premium semen and sexed semen at the prices fixed by KLDB. (b) Reliable vaccination programmes against FMD, mastitis and other grave diseases, (c) Fodder cultivation and availability to be expanded, (d) Removal of dairying farms having up to 10 cows, from the category of “hazardous activities” and constituting an Appellate body, (e) Ensuring the quality of the cattle feed produced and

sold in the state by enacting suitable legislation, (f) accommodating a third collection of milk in the DCS in respect of high-yielding animals or provision of Milk Chillers at concessional rates.

### **Regional Unions and Federation**

- xiv. The study shows that the Federation and the three Regional Unions have not yet met the challenges in marketing in an effective manner due to which the daily sales figures have not increased as they should, given the credibility and brand image of MILMA. The huge potential for milk and milk products available in niche areas of urban centres in Kochi, Thrissur, Kottayam and Thiruvananthapuram have not been explored fully or utilized so far. As a matter of fact, ERCMPU has recently lost a prestigious and valuable customer in the form of the Kochi Naval Base Canteen due to lapses in responding to their e-tender for bulk supply of milk.

Hence focussed marketing techniques and innovative strategies have to be put in place immediately.

- xv. Even though MILMA has for a long time been a household name in terms of quality, affordability and availability, the stiff competition from other brands with high visibility through attractive and sustained advertising, is affecting the sales volume and profitability of MILMA. It is important to note that there are more than 50 brands of ice cream and premium products like cheese, condensed milk, chocolates, flavoured yoghurt etc. marketed by competitors which are doing very well in the market in Kerala. This is despite the fact that most of the ice creams sold here are actually "frozen desserts" made with vegetable fat of much lower cost whereas MILMA produces and markets genuine ice cream made from pure milk cream.

Diversification of products to include items like condensed milk, paneer, cheese, sweets and other products have to be given top priority and advertised in an aggressive manner, particularly in urban areas. The AMUL

PLAZA in Anand, Gujarat is a brilliant example of a hi-profile and focused marketing strategy which could serve as a model for MILMA. The scope for an arrangement with GCMMF for production and packaging of value-added milk products in their dairies under the MILMA brand, could be explored. Funding for diversification of milk products and establishing required plants and facilities should be through loans from financial institutions. The organisation has more than adequate share capital to avail of loans and the interest paid on loans does not attract income tax.

- xvi. The two cattle feed plants under the Federation are,
  - i) Generally working below their installed capacity and need to be upgraded, productivity enhanced and operating costs reduced.
  - ii) The work norms also need to be reviewed in tune with the automation of plant and machinery that have been implemented so far, so that the manpower available is utilised optimally. It is noted that despite presence of conveyor belts and other automated equipment, manual handling is still continued thereby increasing the handling costs. Retraining/ reskilling of the employees concerned is required here. The productivity levels and efficiencies achieved by the cattle feed plants under GCMMF and Karnataka should be studied and appropriate steps taken.
- xvii. Optimum utilisation of manpower and machineries is yet to be achieved by the Regional Union and the Federation. The Work Study reports and their recommendations on the operations in the dairy plants, cattle feed plants and offices of the Regional Unions and the Federation, are not taken seriously or implemented.
  - a) A detailed Performance Audit is necessary to bring out the areas that need to be attended to in order to improve efficiency and productivity of plant and machinery. The need for more than two shifts in the dairy plants also

needs to be examined in the light of improved practices in collection in BMCs, processing, packing etc. that have been introduced in the dairy plants. All these should be done in the best interests of the organisation which has to be accountable to the real owners-the dairy farmers.

xviii. An in-depth Technical Audit should be conducted to ascertain the flow of Total solids purchased and to ensure its conversion into milk and milk products. Periodic conduct of such technical audit will help to prevent leakages and losses. Farmers and their co-operative societies will stand to gain from this audit.

xix. The representation of dairy farmers in the Board of Directors of the Regional Unions is not fully democratic as, instead of having a District representative duly elected by the representatives of the dairy societies of that particular district, all the representatives collectively elect the representatives of each of the districts under the Regional Union. These representatives are often unknown and unfamiliar persons. Hence-

(a) In order to make the Board of Directors of Regional Unions truly representative of the farmers, a system where the representatives of the dairy co-operatives of each district elect their own representatives, would be most appropriate and useful. This is the system followed in other states like Karnataka.

(b) Further, the number of elected Directors should be based on the size of the area of operations of the Union and on the number of active societies. Idukki district, which produces the maximum quantity of milk in ERCMPU has only three elected directors while Ernakulam district with much lower procurement has six elected directors.

xx. A detailed examination of the present functioning of the Federation shows that the Federation has weakened considerably viz-viz the Regional Unions,



which very often take unilateral decisions without consultation or sanction of the apex body. The three Regional Unions often function in water-tight compartments without concern for the best interests of the organisation and the dairy sector as a whole. Only a strong Federation that takes up its responsibilities effectively based on the Bye-laws as also on the ground realities, can co-ordinate and strengthen the entire three -tier structure.

- xxi. The Federation has to be strengthened considerably in areas of co-ordination and effective supervision of the Regional Unions. The performance of the Programme Committee which is responsible for all important decisions regarding all the operations of the organisation, is far from satisfactory. The Programme Committee is empowered to take important policy decisions regarding all aspects of the dairy sector especially those relating to procurement, processing facility, purchase of equipment, quality control, marketing and sales. The Federation is also responsible for the development of professional management in marketing, using the skills and expertise available within the organisation and in other agencies.
- xxii. There is a need to establish a common cadre of managerial and technical professionals from the level of Assistant Manager and above as in states like Gujarat and Karnataka. This will help to optimise the utilisation of the available skills and expertise across the organisation. It will also develop organisational loyalty and enable them to view the three-tier structure that is MILMA, as a one whole entity.
- xxiii. The role, purpose and activities of MRDF under the MRCMPU need to be examined objectively and its accounts audited and discussed. This is important in the light of the concerns and doubts expressed by the farmer members who see this Trust as a medium of patronage and a space for favoured persons, without giving any benefit to the farmers.

The need for greater transparency and closer scrutiny becomes all the more imperative if there is duplication of the functions of the Regional Union's P&I staff and the extension services of the functional department.

xxiv. Steps to streamline the recruitment system in the Regional Unions are to be taken up at the earliest so that the best talents are recruited to build up strong levels of management in the organisation.

xxv. The effect of the Pay Revision being implemented in MILMA in 2018 with effect from 2016, is certain to place a heavy stress on the financial health of the organisation, as the hike is between 15 % to 25%. **(Pay Revision Order. Annexure-7)** The implications have to be studied objectively and the actual position reported. At a time when the farmers are suffering from the heavy burden of rising costs of milk production, the need to improve their returns from the organisation, should be seen as a justified demand and a greater share of the profits should be given to them.

## Conclusion

All the major problems and issues affecting the progress of the three-tier organisation have been discussed in the earlier chapters, along with the remedial actions that need to be taken. These are based on the feedback received by the Committee from a wide cross-section of the stake-holders in this sector. Apart from this, the Committee has visited and held discussions with representatives of Federations, Regional Unions and members of dairy co-operative societies both within and outside the state. Their "best practices" have been studied for adoption to the extent possible in our state.

## **CHAPTER 14**

### **Models for Restructuring MILMA**

The Committee examined possible Models of the organisational structure for MILMA and considered the need, if any, for eliminating or modifying one or more of the tiers. The experience of other states where the original 3 tier Anand Pattern was re-structured, was closely examined. The Committee evaluated the success, shortcomings and potential of such re-structuring in terms of returns to the farmer, financial and administrative strength of the remodelled organization and its overall contribution to the economy of the state.

The Committee discussed at length the following Models with a view to assess their suitability for implementation in Kerala.

#### **Model No. 1**

Primary Dairy Co-operative Societies and Federation only.

--- No Regional Unions

#### **Model No. 2**

Primary Dairy Co-operative Societies and 3 Regional Unions

--- No Federation

#### **Model No. 3**

Primary Dairy Co-operative Societies and 14 District level offices of the Federation

--- No Regional Unions

#### **Model No. 4**

Primary Dairy Co-operative Societies, 2 Regional Unions and Federation eliminating one Regional Union

## **Model No. 5**

Retain existing 3 tier structure of Primary Dairy Co-operative Societies, 3 Regional Unions and Federation without any change

## **Model No. 6.**

Geographical re-distribution of the districts under the 3 Regional Unions and retaining the 3 tier structure.

## **MODEL NO. 1**

### **Primary Dairy Co-operative Societies and Federation alone**

The linkages of the dairy co-operative societies (APCOS) with their respective Regional Unions are very strong in terms of activities like procurement of milk twice a day, P&I services, dairy inputs and payment of milk value every 10-15 days etc. The cold chain management system is maintained through Bulk Milk Coolers system, which serves to improve the quality of milk and eliminates multiple handling and transportation costs. The main concerns of the farmer and dairy societies are collection and transportation of milk to the dairies and timely payment of milk value, which are well met by the Regional Unions. The Regional Unions operate the dairies and carry out the task of processing and marketing of the milk. KCMMF is not involved in these activities.

In the event of elimination of the 3 Regional Unions as suggested in this Model, the farmers will be adversely affected as they will have to approach KCMMF, the apex organisation in Thiruvananthapuram for addressing their grievances and to obtain their benefits etc. This problem of access and logistics, as also delays in addressing urgent issues, will be detrimental to the interests of the farmers. The ills of over- centralisation of authority will result in bureaucratic controls and will hamper the growth of an organisation that is based on the principles of co-operation. In such a case, there is also the possibility and likelihood of subsequent formation of district -level unit offices to meet the immediate needs

and concerns of the dairy farmer. Setting up such district office without a business perspective will only add to the administrative expenditure of the organisation.

The complaints of the dairy farmers regarding high administrative and establishment expenses of the Regional Unions which reduce the profitability of the organization, need to be considered in depth. Although the financial reports of the three Regional Unions show that their establishment costs are within the limits that are stipulated for an efficiently managed organization, the Committee is of the view that these do not reflect the exact establishment expenses, as different accounting systems seem to be followed by them. Only a detailed examination of the exact expenditure and productivity of the Regional level Office and its units will bring out the actual figures in this regard.

The various aspects related to this Model are summarised as follows:-

### **Advantages**

1. In a small state like Kerala where the total milk procurement is only around 12 lakh litres a day, there does not appear to be a need for an elaborate structure which includes 3 separate Regional Unions. This Model may therefore ensure synergy and lead to economies of scale.
2. At the initial stages of the formation and implementation of the three tier organization, the 3 Regional Unions were responsible for all activities relating to organization and supervision of APCOS, extension services, operation of the Veterinary Emergency Routes etc. All these activities are now being handled by the departments concerned.
3. The Federation will be in a better position to manage the surplus milk during the flush season.
4. Common procurement and sales price, standardisation of the manufacturing processes, assurance of quality, professional marketing strategies and advertising campaigns, are possible without inter-Union competition.

5. Having a common cadre of professionals will eliminate clash of interest and decision-making in a holistic manner is facilitated.
6. Representation of elected Directors from each of the 14 districts is possible, thus making the Board of Directors truly democratic.

Although this Model may appear attractive at first, on realistic assessment it suffers from the following disadvantages:-

1. The APCOS numbering around 3000, would find it difficult to communicate with the Federation due to distance and the large numbers involved and inherent limitations of the farmers.
2. The dairy co-operatives function in highly differentiated local environments involving cultural and social aspects. These commonalities can be identified only at the regional levels. Hence, attempting to work on commonalities at the state level would be difficult and even counter-productive, especially since such a large number of individual farmers are involved.
3. It is likely that the societies and individuals located nearer to the headquarters of the Federation would seek to dominate its affairs, while those situated in distant areas would tend to feel neglected.
4. The Federation, which is at present weak and experiencing several limitations, would become too unwieldy and difficult to manage because of its large size resulting in its inefficiencies overtaking possible economies of scale.
5. There is every likelihood of the Federation growing into a huge bureaucratic body over which the elected representatives can exercise little control. This would result in the Federation becoming insensitive to the needs and aspirations of the member APCOS.
6. Due to the above, pressure groups with vested interests could emerge at regional and district levels, each trying to gain higher benefits, thereby sidelining the majority of APCOS.



7. The Regional Unions being closer to the primary societies, they are aware of farmer needs and can respond to them with the least delay In the absence of a common and unifying agency like the Regional Union to support and promote dairying, there is every likelihood of the quantum of milk procurement dropping significantly, leading to losses and defeating the very purpose of the dairy co-operative structure.
8. Even if branches of the Federation are established at appropriate levels with delegation of powers to address many of the issues raised above, such re-organisation could fail as,
  - Delegation is no substitute for decentralization/ autonomous functioning and would lead to a break down of the spirit of co-operation.
  - The personnel being drawn from a common pool under the Federation, the officers heading the various units under the Federation may lack local knowledge, being from a different district.
  - The branch offices of the Federation are likely to function like Government Offices, with all the limitations of a bureaucratic outfit, overlooking the fact that they are par of a business organisation developed on the principles of co-operation.
  - The experience of Telangana where the Federation exists without any affiliated Milk Union and has only certain dairy co-operatives under it, is not beneficial to the farmers or to the consumers. The place of the once prestigious VIJAYA brand of milk and milk products has since been taken over by large and powerful private players in this field.

**From the above facts, it can be seen that this Model is not a feasible option for re-structuring MILMA.**

## MODEL NO. 2

### **Primary Dairy Co-operative Societies and three Regional Unions alone --- No Federation**

The Bye-laws require the Federation to carry out the following functions:-

- a. Take policy decisions regarding milk price, price of value- added products, cattle feed etc.
- b. Act as a co-ordinating agency and for taking decisions on all important matters.
- c. Organise Inter -Union stock management.
- d. Manage the handling of surplus milk of the Regional Unions.
- e. Draw up the Manufacturing Programmes and fix quality standards.
- f. Liaison with State Govt., Central Govt., NDDB, other state Federations, Regional Unions and other agencies.
- g. Handle bulk stock purchase and transfer to Regional Unions.
- h. E-procurement of raw materials for cattle feed production and its sales.
- i. Brand management of MILMA.

Therefore the Federation role in co-ordination, control and optimization of the functioning of the entire three- tier organisation, is very crucial.

In times of shortage of milk or skimmed milk powder in the state, it is the Federation, as the apex body, which is the authority to negotiate and arrange supply of these essential items from outside the state. Without a strong Federation, there is the risk of one Regional Union taking decisions that could adversely affect the other Unions and thereby the entire sector. They could also engage in unhealthy competition and rivalries, encroach on the areas of the other Regional Unions and even purchase and sell milk from private agencies

of other states. These are only some of the unethical practices and counter-productive actions that could occur in the absence of the Federation.

The Federation being the owner of the MILMA brand name, the issue of ownership of the brand name and logo could lead to legal complications. It is therefore clear that a strong Federation is essential to coordinate the operations of the Regional Unions, to negotiate and effect bulk purchases of milk, skimmed milk powder, packing materials, fix transportation and handling rates, etc. to achieve economies of scale and other advantages.

The Expert Committee has visited Telangana state where the co-operative three tier Anand Pattern has been converted in to autonomous societies/Unions registered under Andhra Pradesh Mutually Aided Cooperative Societies Act 1995. The Unions are not under the Federation and they work independently but face stiff competition from other Milk Unions and private players. The lack of an Apex body like the Federation has had an adverse impact on the effectiveness of the Milk Unions as there is no higher body to co-ordinate and guide the Milk Unions.

The Federation in Telengana is functioning on a low profile mode without any affiliated Milk Unions. It procures milk from the dairy cooperatives under it. The Federation conducts only small-scale operations in its procurement, processing and marketing activities. The dairy farmers supplying milk to both the Federation and to the individual Milk Unions do not receive the benefits as there is no network of support services. However, the farmers are getting subsidy from the State Government on the basis of the milk poured to the societies.

Thus, the once strong and vibrant VIJAYA brand milk and milk products of the undivided Andhra Pradesh, is now only a very minor player in a market that is dominated by huge corporate bodies and private dairies. The general opinion

among the representatives of the Milk Unions and the Federation is that it was a mistaken decision to have changed the three-tier system into the present loose structure consisting of a couple of independent Milk Unions covering one or two districts and a Federation with no Regional Unions.

In Andhra Pradesh, Mutually- Aided Co-operative Societies have been formed without the Federation. Their experience also is very dismal. Similar experience in Maharashtra has not been beneficial to the farmers or to the organisation. The once reputed brand named “Mahanand” milk is limited to just a few areas in this large state, while large players like AMUL from Gujarat and other agencies are ruling the market there.

The most urgent requirement is the strengthening of the Federation to take up its leadership position as the apex body. Issues like common marketing strategies, uniform incentives and benefits to the farmers, staff deployment, common cadre, robust policies and effective Action Plans etc. have to be addressed. With a common pool of professionally trained managers it will be possible to identify and deploy the best professional skills within the Federation for quality assurance, R&D, marketing, veterinary services and other inputs required, to serve the interest of both the producer and the organization

The views of the Committee on this Model of restructuring MILMA are summarised as below:-

While this Model will not contribute to dislocation of the present arrangement in terms of milk procurement, input services to farmers, processing of milk and value-addition, there are certain grave limitations like

1. Kerala’s co-operative milk sector might lose the common brand name MILMA, as each of the Regional Unions will have its own individual brand name.
2. Common pricing and quality standards cannot be ensured.

3. Inter -Union balancing of surplus and deficit would become very difficult in the absence of an apex agency in the form of a State Level Federation.
4. Pooling of professional skills under a common cadre, especially in production, marketing and transfer of technology will not be possible.
5. Individual Unions by themselves will not be strong enough to resist pressures relating to fixing of milk price
6. Unions will find it difficult to liaison with the state government and its departments like Dairy Development and Animal Husbandry, Livestock Development Board, NDDDB, other state Federations and Regional Unions and related central agencies. Liaison is in itself a very vital function and it should be best left to a specialized and apex body like the Federation
7. Similarly, effective marketing particularly of value added milk products for which there is very huge scope, requires an agency specializing in this job. Only a state level Federation can do this task economically and effectively, as it can pool the diversified value-added products of the Unions and thereby have the necessary business volumes to enhance the benefits. As and when Kerala becomes a milk surplus state, the Federation would be in a better position to market the milk outside Kerala. The Federation is better equipped to enter into MOUs with sister Federations, with co-operative organisations like CAMPCO and other corporate entities as also with related international agencies.
8. There is a likelihood of larger and more efficient Regional Unions dominating the weaker Unions, resulting in losses to the organisation concerned and distress to the dairy farmer.

The experience of states that have experimented with this Model has not been good and the business of the organisations as also the benefits to the dairy farmers, have been badly hit.

**From the above facts, it can be seen that the elimination of the Federation leaving just the dairy co-operatives and the Regional Unions, is not a feasible option for re-structuring MILMA.**

### **MODEL NO. 3**

#### **Primary Societies and District level Offices of Federation, Federation. No Regional Unions.**

The primary DCS are the most important tier in the entire organisation and they have direct links to the Regional Unions and their dairies to which they supply milk. The payment is effected by the Regional Unions directly to the dairy co-operative societies concerned. The P&I staff attach to each of the Regional Unions are able to monitor and support the members of the society in activities relating to collection of milk, production, transportation etc.

In the event of elimination of the three Regional Unions and establishment of district level offices of the Federation, the farmers will have better access to the district office of the Federation to get redressal of their grievances and to give opinions and suggestions. The District offices being under the Federation can immediately transmit these to the Federation for remedial action.

However, there will be a heavy outflow of funds in order to set up these district level offices that can soon become unwieldy and powerful, defeating the very purpose of their establishment. The performance and financial viability of a large number of Co-operative Organisations, Welfare Fund Boards and Corporations in Kerala that have district-level offices under a Federation or apex`body, is neither creditable nor profitable.

Here it is important to note that the district-wise milk production in Kerala is very low when compared to high milk production districts in Gujarat, Karnataka,



Tamil Nadu, UP etc. In these districts the procurement per District Milk Union/ day is even more than the total daily procurement of the three Regional Unions in Kerala, put together. When there is a Regional Union, the excess milk can be transferred to other dairies under the Regional Unions and a proper balance maintained. In the event of elimination of Regional Unions, conflict of interest and rivalries between the district level officers will result in unhealthy competition and low returns to the farmer.

The KCMMF which is the apex body located in the state capital will not be able to intervene as promptly and effectively as the Regional Unions which have better knowledge of the ground realities. Further, with fourteen district level offices under the Federation, the control and monitoring mechanism will be weak and difficult. Tussles and conflict of interest between the district offices could arise resulting in unhealthy competition, business losses and low returns to farmers. Besides, instances of undue political interference are quite common in these district level offices which have in some cases caused heavy losses and shut- down of some of the dairies in other states.

As discussed above, this Model will necessitate huge expenses in terms of office establishment, administrative costs etc., at district level etc. Above all, there is every likelihood of introducing Board of Directors at this level to accommodate district level representatives both local and ex-officio. In Kerala, similar system of district level offices exists in some co-operative organisations like Matsyafed, Rubberfed and Welfare Fund Boards etc. Most of these are loss-making and require substantial support from Government to carry out their essential functions.

**For the above reasons, this Model too is not found feasible.**

## MODEL NO. 4

### Primary Dairy Co-operative Societies, 2 Regional Unions and Federation

It is important to note that even though Kerala is a small state with lower milk production as compared to other states, it has three Regional Unions with MRCMPU having six districts, and ERCMPU and TRCMPU having four districts each. In larger states with a much higher volume of milk production, there are District Milk Unions comprising of one or more districts as in Gujarat, Karnataka, Telangana and Maharashtra. Here, their daily procurement per district is much higher than the daily procurement of Kerala's three Regional Unions put together.

The complaints of the dairy farmers regarding high administrative and establishment costs of three Regional Unions which reduces the profitability of the organization, is worth examination. Although the three Regional Unions are showing profits during the past few years, an in-depth examination is required to get a full and correct picture of their financial status. The present accounting system, including booking of various items of expenditure, is not of a uniform pattern. This makes it difficult to conduct a proper analysis and evaluation of their financial situation. Hence, in the light of,

- (a) the lower volumes of milk handled by the three Regional Unions as compared to other Regional Unions and even District Milk Unions in other states,
- (b) the decreasing numbers of active APCOS and pouring members, impact of higher salaries and wages costs, not commensurate with productivity,
- (d) lower net profit of two Regional Unions -ERCMPU and TRCMPU,
- (e) higher dependence of the above two Regional Milk Unions on milk procurement from other states with the risk of a grave situation in the event of any price rise in neighbouring states, (ERCMPU which was a sick

Union during the period 2000 to 2005 is especially vulnerable to such price fluctuations.)

- (f) lack of active and efficient steps to retain and expand existing markets. Even though the market potential of central Kerala is very high as compared to the other two regions, the sales of ERCMPU is only around 3.3 lakh litres per day despite the promising niche markets available in certain pockets of Thrissur, Kottayam, Ernakulam and Kochi city.

ERCMPU's loss of the annual contract with the prestigious Cochin Naval Base Canteen is only a case in point. A market survey will reveal the enviable sales levels achieved in Ernakulam district by new players that appear to have overtaken the MILMA brand of milk and milk products. Clearly this Union has not been able to take advantage of new and emerging niche markets, by leveraging on the brand image of MILMA.

The figures show that the procurement, sales and value addition profile of MRCMPU is much higher than that of the other two Regional Unions put together. It actually procures 50% of the total procurement in the state.

**It is therefore necessary to examine whether the number of Regional Unions could be reduced from three to two.** This could be carried out by identifying the Regional Union with the maximum inefficiencies, based on certain objective parameters. Such Regional Union should be eliminated.

This measure will have the following advantages:-

1. It will ensure the maintenance of the three-tier system, and also serve to reduce a certain amount of expenditure and increase efficiency.
2. This will also be justified in view of the fact that the Regional Unions and District Milk Unions in states like Gujarat and Karnataka, are handling more than 50 lakh litres of milk per day while in Kerala the three Regional Unions together are handling only 12 lakhs litres of milk per day.

3. The lack of professionalism and shortage of manpower and expertise could be addressed by deployment of the staff of the Regional Union that is eliminated. Recruitment processes can be better streamlined and creation of a common cadre facilitated.
4. Administrative costs will be reduced and the farmers will get more benefits.
5. Management of surplus milk will be easier and transportation costs reduced.

The question of redistribution of districts by allotting seven districts to each of the two Regional Unions, though theoretically sound, is not advisable as it will result in excess procurement in MRCMPU which is already handling more milk than the other two Unions put together. The merging of the central and southern Regional Unions will result in a more balanced level of procurement and sales. The bye-laws of Kerala Co-operative Milk Marketing Federation will need to be amended to ensure at least one elected representative from each of the 14 districts in the Board of Directors of the Federation this making it fully democratic.

This Model has a few limitations:

- 1) Kerala is perceived to have three distinct regions-- south, central and north-- each with its more or less common social and cultural identities and preferences. The administration in several government departments is organised on regional basis to serve these distinctive characteristics.
- 2) Having only 2 Regional Unions will make administration more centralized.
- 3) Reluctance on the part of employees to accept the change due to common cadre of staff, promotion avenues, etc could raise problems on the administrative side.
- 4) Objections on political grounds from trade unions and employees' organisations could also be a hurdle, but these can be overcome by taking

all concerned into confidence and ensuring that no injustice or favouritism is permitted in the process of effecting the change.

The above limitations can be overcome by ensuring strict and effective monitoring and automation of all or most of the administrative and technical operations. A common software for the reporting and accounting systems and MIS will help to improve the efficiency and general performance of the Regional Unions. Above all, the farmers' interests should be given priority at all times and their voice heard.

**The above Model viz. Primary Dairy Co-operative Societies, Two Regional Unions and the Federation is recommended as being the most suited for restructuring MILMA.**

#### **MODEL NO. 5**

##### **Retain existing three-tier structure ---No Change**

This Model has come to stay and its strengths have been proved in Kerala and in states like Gujarat and Karnataka:

- 1) Long standing and in existence since 1980 and retaining it is necessary to ensure stability of the system.
- 2) Each of the 3 Regional Unions are financially viable as on date though the impact of various factors are yet to be assessed in full. Comparison on common parameters is not possible now due to vast variations in the accounting system, booking of expenses etc in respect of the three Regional Unions.
- 3) The functioning of the Federation needs to be strengthened to take up marketing and other responsibilities more effectively than at present.
- 4) There is a definite demand -supply gap in TRCMPU and ERCMPU areas. These two Regional Unions have not been able to bring about any substantial increase

in milk procurement and seem to be content with importing cheaper milk from other states. **This Model which is existing in the state could be strengthened and retained. In view of the present shortcomings, government could call for a clearcut Action Plan to improve the functioning of the weakest of the Regional Unions within a specific time frame. If the results are not satisfactory, Model No. 4 could be implemented.**

### **MODEL NO. 6**

#### **Geographical re-distribution of districts under the Regional Unions**

The three Regional Unions have their areas of operation as below:-

TRCMPU--- 4 districts with 701 APCOS

ERCMPU--- 4 districts with 868 APCOS

MRCMPU--- 6 districts with 967 APCOS

While re-distribution of districts could be considered, it should be executed only after careful study of the economic viability of the organisations involved. Political considerations should not find a place here. The strengths of the larger Regional Union, MRCMPU, should not get diluted in the process. The primary co-operatives are the strongest in MRCMPU while many in the other two Unions need focused attention and support.

For ensuring contiguity, Palakkad district from MRCMPU may be brought under ERCMPU and Idukki district from ERCMPU brought under TRCMPU. But even though such re-drawing of boundaries appears beneficial from the point of view of ensuring geographic contiguity, a decision on this can be taken only after carefully working out on the impact of such changes on the viability, of the three Unions, particularly that of MRCMPU and ERCMPU. Further, the views of the primary dairy societies located in the districts proposed to be transferred, need to be considered before taking steps in this matter.

**A detailed study of all the issues involved needs to be undertaken before this Model is taken up. Hence this Model is not recommended.**



## CHAPTER 15

### Recommendations of the Committee

In the light of the inputs and feedback received from various stakeholders, information received during site visits, opinions of experts in the field and evaluation of various Study Reports and documents related to this subject, the Committee after detailed deliberations, presents the following Recommendations for consideration of Government.

#### **(a) Regional Unions and Federation**

- (1) As detailed in the 'Models for Restructuring' (Chapter No.14 ) the three-tier dairy co-operative structure of MILMA needs to be restructured as
  - i) Federation
  - ii) Two Regional Unions – covering northern and southern districts of the state
  - iii) Primary Dairy Co-operatives.
2. The Bye-laws of the Regional Unions and Federation require amendments to enable the election of representatives of each district by the members of the particular district itself thus making it truly democratic. The induction of new elected members in the Board of Directors of Regional Unions should be ensured and their term as Director should be limited to a maximum of 3 terms by bringing in appropriate amendments in the byelaws. (Observation No. xix)
3. Contribution to share capital of Regional Unions by dairy co-operative societies should fetch adequate returns on a regular basis. For this, Regional Unions should design appropriate debt capital/deposit schemes as done in other states. This increase in income of the society should be utilized for meeting salaries of the employees under Section 80 of KCS Act. (Observation No. x)

4. Recruitment to all posts in the Regional Unions should be entrusted with the Kerala Public Service Commission to ensure transparency and accountability. The qualifications and experience prescribed for various posts should be reviewed in tune with the present day requirements.
5. Establishment of a common cadre of managerial and technical professionals from level of Assistant Manager and above under the Federation (Observation No. xxii )
6. Total overhauling of the R & D wing, product development, marketing strategies etc of the organization by lateral induction of professionals. (Observation No. xv)
7. Performance Audit and Technical Audit of dairies and cattle feed plants of Regional Unions and Federation to be conducted with time-bound targets for improved productivity matching GCCMF and AMUL standards. For this a common software and accounting procedures should be implemented and a detailed analysis conducted of their financial performance during the past 5 years. The implications of the Pay Revision recently effected, on the financial viability and efficiency parameters in the organization, should be studied in detail. (Observation No. xvii, xviii & xxv)
8. Strengthening the Programming Committee of the Federation with emphasis on :-
  - a. Procurement of the entire milk produced within the state,
  - b. Diversification into new and improved value-added products and entering into new and potential niche markets,
  - c. Standardization of manufacturing processes and quality parameters.
9. Profit -sharing pattern of dairy co-operative societies should be amended so that the farmer members and the societies get a better share of the net

profit. The Member Relief Fund being 10% of net profit should be used to create a Corpus Fund under the functional Registrar to provide assistance to dairy farmers and their families. Similarly, the statutory provisions made to Reserve Fund, Co-operative Education Fund and Professional Education Fund should be pooled to offer financial assistance to the Dairy Co-operatives and their members directly. (Observation No. viii)

10. The problem of low wages of society staff and consequent non-availability of qualified personnel can be effectively addressed by increasing the share of the societies in the sale price of milk from the present 4% to at least 6%. This will enable payment of salaries according to Section 80 of the KCS Act.

#### **(b) Dairy Farmers and Dairy Societies**

11. The long-standing demand of the farmers for getting Artificial Insemination services in time and of his choice, at his doorstep should be ensured at least at this stage. This will help to improve the conception rate of the present 4+ to below 2 as envisaged in the National Dairy Plan. Eligible dairy co-operative society personnel should be trained in AI, first aid and minor veterinary services as done in other states. The Committee strongly recommends this measure, as in the four major milk producing states visited, unlike in Kerala, there was no complaint regarding non-availability of Artificial Insemination and related services at the farmer's doorstep. All objections against this should be resolved by keeping the interest of the dairy farmer's as the priority. (Observation No. i)
12. Strengthening of quality control activities of Dairy Development Department especially of milk brought from outside the state and giving the Department authority under FSSA. (Observation No. xi)

13. Members who do not pour milk for more than 3 years at a stretch should be removed from the rolls of the DCS. This will help the societies to remain active and compact, as at present, only 17% of the members are active pouring members.
14. Problems relating to stability in quality, supply and price of cattle feed and feed supplements, should be addressed. Legislation for ensuring quality standards of cattle feed should be formulated. (Observation No. ix)
15. Hurdles in conduct of large dairy farms should be removed viz
  - (a) raising the existing ceiling from 5 milch animals to 10 and above, for obtaining license from LSGI's,
  - (b) simplifying the procedures for license,
  - (c) constituting a Green Channel mechanism for speedy approvals, and
  - (d) constitution of an Appellate Committee.(Observation No. **xiii**).
16. A campaign for fodder cultivation for supply at subsidised rates to dairy farmers should be taken up by local bodies involving MNREGS. This should be on fallow lands taken on lease arrangement. Co-ordination between Agriculture Department and Dairy Development Department should be ensured for expanding this programme. (Observation No **iii**)
17. Animal Husbandry Department should ensure round-the- clock availability of veterinary services, including emergency services. The quality of the veterinary medicines should be ensured by regular monitoring and checking. Expansion of SLBP is very important to ensure a healthy herd-strength within the State. (Observation No. **vi**)
18. Uniform software should be introduced for all the transactions of dairy co-operative societies and backlog of annual audit cleared. Specific norms

and guidelines for audit of dairy co-operative societies and classification of societies should be framed by the Co-operative department in consultation with Dairy Development Department. Audit of accounts of large societies having more than 1000 litres procurement/day should be carried out by a chartered accountant at least twice a year to avoid irregularities and lapses.

19. Further Studies are required on

- (a) streamlining the functioning of dairy co-operatives which would require amendments to the KCS Act due to the nature of the operations,
- (b) the financial performance of the Regional Unions and the Federation based on a common accounting system and MIS,
- (c) Providing a free 24 x 7 Helpline for farmers to get their problems redressed right from grama panchayat level to state level.

20. The procurement of milk should be on the basis of weight in kilograms at the society level also. The complaint of farmers regarding loss in the present system of recording volume should be addressed. Similarly the responsibility for the assurance of quality and quantity of milk collected at BMCs and transported to dairies should be effectively entrusted. (Observation No. **vii**)

21. Comprehensive insurance covering animals, farmers and their dependents should be implemented by integrating the insurance schemes implemented by various agencies. (Observation No. **ii**)

22. LSGIs should earmark a minimum 25% of the provisions under productive sector for schemes under Animal Husbandry and Dairy Development.

23. The present lack of co-ordination and overlapping of schemes between the departments and agencies at all levels should be remedied by

constituting a State-level Co-ordination Committee headed by Secretary to Government. Similar District and Block level Committees should be formed. Quarterly reviews using common software should be introduced. (Observation No. **xii**)

24. Assistance to dairy farmers should be given on a uniform pattern throughout the year, as done in other states. This can be achieved by pooling funds of LSGD, DDD etc.
25. The graduate and diploma courses in Veterinary Sciences and Dairy Sciences and Technology offered by Kerala Veterinary and Animal Sciences University (KVASU), should be suited to meet the needs of the Dairy Sector, especially in terms of numbers of professionals required and their employment prospects.



# ANNEXURES

# **ANNEXURE 1**

## **AGRICULTURE (ANIMAL HUSBANDRY) DEPARTMENT**

**No. G.O.(P)No.183/79/AD Dated, Trivandrum, 27<sup>th</sup> April 1979**

### **AGREEMENT BETWEEN THE GOVERNMENT OF KERALA AND THE INDIAN DAIRY CORPORATION**

We refer to the Operation Flood –II Project, which will be implemented by the Government of India. State Governments, Indian Dairy Corporation (IDC), National Dairy Development Board (NDDB), and Milk Producers Co-operatives with the assistance from the International Development Association (IDA) in various parts of India, Including mutually selected districts of the state of Kerala hereinafter called the Project Area.

In order to avail itself of the benefits under the Project and to assist IDC in complying with the various covenants in the Project Agreement between IDA and IDC which may be modified from time to time the State Government hereby undertakes.

1. To take necessary action, including steps for the amendment of the Kerala Co-operative Societies Act, 1969, to the extent required and issuance of notifications by the state Government, to facilitate the formation of Dairy Co-operative societies, District Co-operative Milk Producers Unions and Federation of such Unions in the Project, Area hereinafter called “Co-operative institutions” and to enable them to function in accordance with bye-laws which are satisfactory to IDA and IDC;
2. by 31<sup>st</sup> December ,1979 or such later date as the IDC may otherwise agree , transfer to the Co-operative institutions, (with) mutually agreed

terms and conditions satisfactory to IDA, such dairy plants, chilling facilities and other assets for milk production - enhancement belonging to the State Government and / or agencies controlled by the state Government, and located in the Project Area;

3. To provide the Co-operative institutions necessary land required for the Project and assist in providing electricity, water and other facilities within the control of the State Government, as may be required for the project;
4. To permit the co-operative institutions full freedom to create positions and to recruit personnel and to fix their remuneration which they deem appropriate, for carrying out the project, subject to such directions as may be given by a committee consisting of a nominee of the State Government, a nominee of IDC/NDDB, and the Managing Director of the Federation/Union;
5. Not to take any action to restrict the power of the co-operative institutions to act and in accordance with sound economic and financial practices, to fix the price for their products, the price paid for milk collected from their members and the charges to be paid by their members for services rendered to them by the co-operative institutions in respect of their selling price policies;
6. To transfer to the co-operative institutions the responsibility for provision of such services (for example artificial insemination, vaccination) and Co-operative dairying promotional activities in the Project area as described in the IDC Appraisal Report. The transfer of this responsibility shall be phased and organised in a manner so as to ensure that such services and activities in the Project Area are not disrupted during the course of implementation of the project;

7. To permit the co-operative institutions to retain at their discretion and on their terms and conditions of employment , the services of the personnel who are employees of the State Government milk plants, chilling facilities and other assets transferred to them under paragraph 2 above;
8. To take all actions which shall be necessary for the Co-operative institution to carry out their day today functions and shall not take or permit any of its agencies to take any action which would prevent or interfere with such functioning;
9. To take all actions which shall be necessary , in collaboration with IDC and NDDDB, to ensure the speedy formation and efficient functioning of the co-operative institutions in order to achieve the successful implementation of the project;
10. Not to promote or permit any activity / organisation in the project Area which will be detrimental or inconsistent with the objectives of “Operation Flood II” Programme in the area;
11. To take necessary steps for the reorganisation winding up of defunct or inactive Milk Co-operatives in the milk shed to the extent necessary to promote and to nourish the Co-operative institutions referred to in paragraph 1; and ;
12. To arrange for concurrent audit of the co-operative institutions once every three months.

In consideration of the State Government undertaking of the above IDC hereby agree to perform all such functions as are assigned to it in the Project Agreement and the Staff Appraisal Report and which may be modified from time to time with the consent of Government of India, IDA and the State Government.

## ANNEXURE 2

### List of Issues Raised by Dairy Farmers & Stake holders

(A) <b>Farmers</b>			
<b>Sl. No.</b>	<b>Issues</b>	<b>Remedial Action</b>	<b>Responsibility</b>
1	Non-availability of quality semen.	Ensuring quality of semen and potency of semen, proper care in storing, transportation etc.	KLDB & AHD
2	Artificial Insemination at farmers door step.	AI through dairy co-operative society, training to dairy co-operative society staff, Liaison between departments.	KLDB, AHD & DDD
3	Semen of farmers choice	Making available semen of different breeds in all AI centres and provide proper awareness to farmers.	KLDB & AHD
4	Supply of Premium bull semen through DCS.	Supply premium bull semen to all AI centres including DCS.	KLDB & AHD
5	Low conception rate.	Timely insemination, trained AI technicians and proper transportation and handling.	KLDB & AHD
6	Timely Artificial Insemination.	Proper training, ensuring timely availability of AI technician etc.	KLDB & AHD
7	Failure of AI due to mishandling.	Use cryo cans and follow proper protocols while handling and transportation.	KLDB & AHD

8	Free of cost AI-through DCS.	Artificial Insemination through dairy co-operatives may also exempted from semen cost.	KLDB & AHD
9	Levying huge amount for AI.	Charging huge amount for AI at farmers doorstep to be controlled	AHD
10	Selection of beneficiaries for schemes.	Wide publicity, selection on the basis of criteria and norms, giving priority for women and weaker sections.	AHD, MILMA, KLDB & DDD
11	Duplication of schemes and beneficiaries.	Co-ordination between departments, transparency in selection of beneficiaries and specific areas of activities for each department.	AHD & DDD
12	Extending support to all farmers.	Except for milk incentives and KDFWF schemes - all farmers to be considered.	AHD & DDD
13	Removing ceiling on subsidy and income limits.	Subsidy ceilings and income limit already hiked. It may be further increased for schemes through LSGI's	AHD, DDD & LSGDs
14	All calves should be included in SLBP	SLBP schemes should be expanded covering all calves with the help of LSGIs.	AHD
15	High interest for dairy loans	Provide dairy loan at 4% Interest. Or interest subsidy to be given, as in other states.	AHD & DDD



16	Proper care and feeding of calves.	Schemes for adopting calves from birth itself and supply of calf feed and calf starters to be formulated.	AHD & DDD
17	Demand for Comprehensive insurance schemes.	Formulate Comprehensive insurance scheme covering all diseases.	AHD, DDD, KCMMF & LSGDs
18	24 hour Veterinary Service	24 hour veterinary service to be made available	AHD & MILMA
19	Increased cattle feed subsidy.	The budgetary support for cattle feed subsidy should be raised.	DDD
20	Low quality and irregular supply of feed and feed supplements.	Legislation to be enacted for ensuring quality cattle feed and feed supplements.	AHD, DDD, KCMMF & Kerala Feeds
21	Environment & Pollution issues.	Setting up facilities for collection of cowdung and urine, construction of biogas plants, cowdung sales etc.	Regional Unions, AHD and DDD
22	Inclusion of dairy farmers in MNREGS.	Modify norms for MNREGS.	Central and State Government
23	Non-availability of fodder.	Commercial fodder cultivation in barren lands and unutilised lands with the help of LSGIs, Agri. Department, Kudumsree and DCS.	DDD
24	Re-scheduling of milk procurement timings.	The milk procurement timings at DCS may be rescheduled allowing equal milking intervals.	DDD , KCMMF and Regional Unions

25	Issues related to licensing of dairy farms.	Delay and difficulties faced by farmers in getting license for dairy farms to be addressed by simplifying norms and procedures, setting up green channels and appeal committee etc.	AHD, DDD & LSGDs
26	Demand for extending agri tariff for electricity to dairy farms and DCS.	Electricity Tariff to be reduced for dairy farms and DCS at the rate applicable to agriculture.	AHD & DDD
27	Lack of adequate manpower in DDD.	Setting up panchayat level offices of the department in a phased manner.	DDD
28	Strengthening KDFWF activities.	KDFWF activities should be strengthened and new schemes should be formulated.	DDD & KDFWF
29	Preventing spread of disease through manual milkers.	Health card for milkers, promotion of machine milking etc.	DDD & Health Department
30	MRDF - Exploitation.	Activities of MRDF should be studied in detail and remedial measures taken. Strengthen P & I activities.	MRCMPU
31	Shortage of paddy straw.	Schemes for bulk procurement of straw and silage to be formulated.	DDD & AHD
32	Low milk value received from DCS	Ensure payment of milk value on the basis of strict quality check	DDD & MILMA

33	Favouritism by society staff	Favouritism by society staff is to be avoided, society staff should behave in a friendly manner to farmers	DDD & MILMA
34	Farmers not getting benefits in time	Timely enrolment of farmers in KDFWF , SLBP and other schemes should be ensured	DDD, AHD & KDFWF

### **(B) DCS, Regional Unions and Federation**

<b>Sl. No.</b>	<b>Issues</b>	<b>Remedial Action</b>	<b>Responsibility</b>
1	Affiliation to DCS.	All eligible APCOS Societies supplying milk to the Union should be given affiliation.	DDD, KCMMF & Regional Unions
2	Area of operation of DCS.	Limiting area of operation of DCS having large area as their area of operation.	DDD, KCMMF & Regional Unions
3	Viability of small societies.	DCS with low procurement and small area of operation to be amalgamated.	DDD, KCMMF & Regional Unions
4	Audit of DCS.	Ensure timely Audit of DCS , clearing of audit backlog and pending audit objections.	DDD, KCMMF & Regional Unions
5	Quality of Audit.	Ensure proper audit and bring DCS Audit wing under Administrative Department.	DDD, KCMMF & Regional Unions
6	Audit Cost.	Audit cost of DCS to be reduced or exempted has done for coir and khadi co-operatives	DDD & Co-operative Department
7	Rectification of audit defects	Defects noted during audits should be rectified within fixed time limits.	DDD, KCMMF & Regional Unions

8	Inspection of DCS	Frequent inspection by administrative department and MILMA is to be ensured	DDD, KCMMF & Regional Unions
9	Irregularities in Cattle feed sales	Strict monitoring of cattle feed credit sales is required	DDD, KCMMF & Regional Unions
10	Return of spoiled milk	Giving timely information to societies about spoiled milk and its return	KCMMF & Regional Unions
11	Complaints regarding low milk value	Ensure proper quality check of milk at society level as well as in the dairy	DDD, KCMMF & Regional Unions
12	Convening of General Body Meeting	Ensure timely convening of General Body Meeting following proper procedures	DDD, KCMMF & Regional Unions
13	Audit classification Norms.	Audit classification norms to be modified in consultation with Dairy Development Department.	DDD & Co-operative Department
14	Profit sharing Division in DCS.	Profit -sharing pattern of DCS should be changed, reducing the percentage for statutory provisions.	Co-operative Department, KCMMF, Regional Unions & DDD
15	Demand for proper use of Member Relief Fund.	Member Relief Fund should be placed under the control of DDD to implement schemes for welfare of dairy farmers.	DDD
16	Additional Revenue for DCS.	Additional income - generating programmes in DCS like procuring vegetables, inputs distribution, sale of MILMA products etc.	KCMMF & DDD

17	Issues between BMC and Cluster societies.	Solving issues between BMC societies and Cluster societies regarding quality and quantity of milk.	KCMMF & DDD
18	Demand for BMC in all DCS.	All DCS should be included in the cold chain system - by installing BMC's at the required places.	KCMMF
19	Waste water disposal in BMCs.	Unions to provide technical and operational support for waste water disposal	Regional Union
20	Credit facility for cattle feed.	Kerala Feeds and MILMA - should allow credit facility to DCS for cattle feed purchase.	KCMMF & Kerala Feeds
21	Cattle feed quality.	Strict measures to ensure quality of cattle feed, legislation to ensure quality of cattle feed and feed supplements.	DDD & AHD
22	Timely availability of cattle feed.	Availability of cattle feed is to be ensured by MILMA and Kerala Feeds by increasing production.	KCMMF & Kerala Feeds
23	Demand for support from MILMA	Support from Regional Union for implementation of Section 80 and for meeting routine expenses of DCS is required.	Regional Unions
24	Denial of benefits to traditional societies	Provide additional milk value and incentives to traditional societies also.	KCMMF

25	Diversification of activities	Societies may be permitted to take up diversified activities.	DDD
26	Lack of qualified employees in DCS.	Assistance for the implementation of Section 80 and managerial grant may be considered	DDD & KCMMF
27	Demand 10% of the milk value as margin to DCS.	Increased margins to societies should be given	DDD & KCMMF
28	Welfare Fund coverage	Employees of DCS to be compulsorily included in the Co-operative welfare fund scheme.	DDD & Regional Unions
29	Reservation for DCS staff in Regional Union/KCMMF appointment.	Existing Reservation pattern may be reviewed to give more opportunity to DCS staff.	DDD & Regional Unions
30	Training to DCS staff	Frequent training to society staff to ensure proper functioning of the co-operative society.	DDD & Regional Unions
31	Outsourcing of milk processing	Outsourcing of processing & packing of milk and milk products through viable DCS may be considered	KCMMF
32	Affiliation to DCS.		
	a)Undue influencing	Avoid pressurisation for affiliation	DDD & Regional Unions
	b)Delay in granting affiliation	Eligible APCOS should be given affiliation in time	DDD & Regional Unions
33	No need for three tier structure	Re-structuring of existing structure to be taken up	DDD & KCMMF



34	Low agency commission	Review the present conditions, increase agency commission if required	Regional unions & KCMMF
35	Sale of products through DCS	Permit sales outlet in DCS for MILMA products	Regional unions & KCMMF
36	Expansion of product portfolio	Diversification of products and R&D	Regional unions & KCMMF
37	Inefficient usage of brand image	Improve sales utilizing brand value of MILMA	Regional unions & KCMMF
38	Adoption of best practices	Adoption of best practices of other successful organisations to improve performance	Regional unions & KCMMF
39	Cattle feed -shortfall in production	Enhance capacity utilization and expansion to ensure regular supply	KCMMF & Kerala feeds
40	Labelling of cattle feed	Packets should contain details of ingredients & nutrient value	Regional unions & KCMMF
41	Quality of cattle feed	Quality of cattle feed should be ensured	Regional unions & KCMMF
42	Outsourcing production of cattle feed	Quality of cattle feed should be ensured even while outsourcing production	Regional unions & KCMMF
43	Raw materials of cattle feed	Promote raw materials production through DCS	Regional unions & KCMMF
44	Common cadre of senior employees	Common pool of expertise at Federation level	Regional unions & KCMMF
45	Demand for comparative study	A comparative analysis of MILMA and AMUL would be beneficial and motivating	KCMMF

46	Competition from multinational companies	MILMA to become more aggressive and competitive in marketing and product diversification	Regional unions & KCMMF
47	Competition between Regional Unions & MILMA	Competition between Unions should be avoided. KCMMF should take lead in marketing	Regional unions & KCMMF
48	Unfair competition	False propaganda by private players should be encountered with the help of FSSAI	Regional unions , KCMMF& DDD
49	Competition from large co-operatives	Competition from large co-operatives out side the state should be viewed seriously and MILMA should be become more aggressive and vibrant	Regional unions & KCMMF
50	Entry of low quality milk from out side	Stringent check of low- quality milk coming from outside. Co-ordinated work of DDD& FSSA is required	Regional unions , KCMMF& DDD
51	The plastic menace to be curbed	The plastic waste through MILMA products should be collected and recycled.	Regional unions , KCMMF& DDD
52	Career path for employees	Qualified employees should be given higher positions with dynamic growth potential	Regional unions , KCMMF& DDD
53	Limitations in Standing orders	MILMA should review the current HR process and make amendments in standing orders and Employees Regulations	Regional unions & KCMMF

54	Unequal representation in Board of Directors	District- level election of Board of Directors to ensure representation from every district, based on procurement and number of societies	Regional unions , KCMMF& DDD
55	Conduct of election is not transparent and democratic	Ensure more transparent and democratic process of electing Board of Directors from each district by members of that particular District itself	Regional unions , KCMMF& DDD
56	Existing Board of Directors are not genuine farmers	It should be ensured that the Board of Directors are genuine dairy farmers	Regional unions , KCMMF & DDD
57	Audit and Audit Classification	Impartial audit and modification of audit classification norms	KCMMF,DDD & Audit Department
58	Demand for Separate Audit Wing	The existing Audit Wing should be placed under Administrative Department	KCMMF,DDD & Audit Department
59	Export of milk products	Export of MILMA value-added products to other states and outside the country is to be considered	Regional unions & KCMMF
60	Federation not playing their role as leader	Federation should take the lead role in marketing, advertising and diversification of products etc.	KCMMF & Regional Unions
61	NDDB- Financial support	Loans from NDDB to be utilized for expansion and automation of Dairy Plants, Installation of BMC's etc.	KCMMF & Regional Unions

62	High procurement cost compared to other states	Providing quality inputs to farmers for cost reduction, stringent quality check etc.	KCMMF & Regional Unions, DDD
63	HR-Cost of operation	HR cost can be reduced by internal and external outsourcing and streamlining the operations esp where automation exists.	KCMMF & Regional Unions
64	Import of milk powder while there is milk surplus.	Import of milk powder while one Union is facing surplus should be controlled by proper management of surplus.	KCMMF & Regional Unions
65	Surplus management is not proper	Federation must take steps for management of surplus between Unions	KCMMF & Regional Unions
66	Technical Audit to avoid loss	The demand for Technical Audit in MILMA should be taken up immediately.	DDD
67	MILMA to start model farms	The demand for starting model farms may be considered.	KCMMF & Regional Unions
68	No product diversification in MILMA	Starting R&D wing in MILMA by pooling experts for product development and quality assurance	KCMMF & Regional Unions
69	Lack of dynamic Board of Directors and continuance of same persons in the Board for year together	Continuance of same persons over a long period is a problem and chances for entry of dynamic new faces in the BOD should be ensured.	KCMMF, Regional Unions & DDD

70	Recruitment process is not transparent	Recruitment should be entrusted with PSC	DDD, KCMMF & Regional Unions
71	Shortage of manpower	Shortage of manpower can be addressed by speeding up recruitment process	KCMMF & Regional Unions
72	Inadequate Marketing strategies	Need to pay more attention to advertising and promotions.	KCMMF & Regional Unions
73	Corrupt Recruitment Process and poor quality of manpower	Recruitment in Regional Unions should be entrusted to PSC	DDD, KCMMF & Regional Unions
74	Marketing collaboration with Mother Dairy	Failure of Joint venture with Mother Dairy -reasons to be studied.	KCMMF & Regional Unions
75	Skimmed Milk Powder Plant not functional	Revival and remodelling of Powder Plant required for value added product manufacture	KCMMF & Regional Unions
76	Marketing diversification	Marketing-diversification into Spices, Coffee, Tea /agri-products may be examined	KCMMF & Regional Unions
77	Functioning of Cattle feed plants	Maximum capacity utilization, automation of entire operations and proper manpower utilization to be ensured.	KCMMF & Regional Unions
78	Operation of Dairy Plant by Federation	The possibility of handing over Alappuzha Dairy under KCMMF to Regional Union to be considered.	KCMMF & Regional Unions

79	Water scarcity in in Pathanamthitta and Trivandrum Dairies	Chances of drawing water from natural resources to be examined	KCMMF & Regional Unions
80	Lack of efficiency in operations	Reduce cost of production by reducing overheads and upgrading existing facilities	KCMMF & Regional Unions
81	Wasteful capacity building	Installation of new plants instead of increasing capacity of existing plants, to be checked	KCMMF & Regional Unions
82	Operation of chilling plants	With installation of BMC's, Chilling plants should be utilized for other purposes	KCMMF & Regional Unions
83	No long term plans for development in MILMA	Should develop a Vision and Mission document and develop long- term plans to meet competition.	KCMMF & Regional Unions
84	Capacity expansion	Capacity of existing Dairy plants to be expanded in tune with requirement	KCMMF & Regional Unions
85	No Dividend to Shareholders	Ensure payment of Dividend to share holders by improving efficiency, financial discipline and proper management	KCMMF & Regional Unions
86	Adoption of Better Models	To study about similar organisations and adopt better practices	KCMMF & Regional Unions
87	Conversion of Additional Milk Value as shares	Compulsory conversion of part of additional milk value as shares should be controlled- Deposit schemes should be formulated ensuring assured returns	KCMMF & Regional Unions



88	Paradigm shift in operations	MILMA should adjust its operations in tune with consumer habits and taste.	KCMMF & Regional Unions
89	Operational Development	Self evaluation and comparison with other co-operative organisations and Corporates is required	KCMMF & Regional Unions
90	Milma overstaffed at many levels	Productive Restructuring of HR-Operations including outsourcing, may be considered	KCMMF & Regional Unions
91	Monopoly of Co-operative Sector	MILMA should be made professional effective work studies to be conducted and implemented in full.	KCMMF & Regional Unions
92	Eco-friendly packing	Eco-friendly packing and plastic- free packing techniques to be adopted	KCMMF & Regional Unions
93	Perishable nature of products	Simplify the processes, legalities and concurrent monitoring of operations	KCMMF & Regional Unions
94	Power Supply deficit	Appropriate non-conventional sources should be considered	KCMMF & Regional Unions
95	Low procurement price compaired to cost of production	Measures for reducing cost of production and increasing the sales of value -added products to be taken up seriously	KCMMF & Regional Unions
96	Best price-But farmers are not satisfied	All scope for improvement in milk price may be considered by cost reduction and value addition	KCMMF & Regional Unions
97	No milk route in some areas	Measures to collect milk from all APCOS may be taken	KCMMF & Regional Unions

98	Milma functioning as commercial organisation	MILMA should be pro- farmer and give more priority for the interests of Dairy Farmers	KCMMF & Regional Unions
99	Ceiling on milk procurement	Ensure entire milk supplied to DCS is collected	KCMMF & Regional Unions
100	Quality of products	Quality of products should ensured	KCMMF & Regional Unions
101	Recruitment qualifications	Qualifications for various posts should be modified in tune with present requirement	KCMMF & Regional Unions
102	Tenders	e-tender and transparency to be ensured	KCMMF & Regional Unions
103	Recruitment through Co-operative Recruitment Board	Constitution of a recruitment board may be examined	KCMMF & Regional Unions
104	Vacant positions	Steps to fill the vacancies	KCMMF & Regional Unions
105	Frequent changes in top management	MD's should be given a minimum term of 3years	GOK,KCMMF & Regional Unions
106	Purchase of milk from outside	Outside purchase should be only after surplus procurement within the state	KCMMF & Regional Unions
107	Training Requirement	Earmark a certain amount for training & development	KCMMF & Regional Unions
108	Solar powered plants	MILMA should take steps to start solar powered plants	KCMMF & Regional Unions

109	No need for 3 tier	Experience of states that went to 2 tier model should be studied	Gok, KCMMF, Regional Unions & DDD
110	Geographical Restructuring	Impact of Geographical Restructuring is to be studied in detail	Gok& DDD
111	2 tier system	The impact of changes from 3tier to 2 tier should be studied	Gok, KCMMF, Regional Unions & DDD
112	Structure with Unions and Societies	The impact should be studied in detail	Gok& DDD
113	Structure with Federation- 2 Unions and Societies	This model should be studied	Gok, KCMMF and Regional Unions, DDD
114	Number of unions to be reduced	Reduce overheads and Administrations will be easy	KCMMF & Regional Unions
115	Least efficiency in man power utilization	Frequent work study and implementation of work norms	KCMMF & Regional Unions
116	Primary DCS engaging in sale of packed milk	Setting up of Pasteurization plants and sale of packed milk by APCOS should be controlled	KCMMF, Regional Unions & DDD
117	Distribution of gifts	Distribution of gifts and other benefits to members, to be controlled	KCMMF, Regional Unions & DDD

**ANNEXURE 3 (A)**  
**Objectives of TRCMPU, ERCMPU and MRCMPU**  
**Thiruvananthapuram Regional Co-operative Milk**  
**Producers' Union Limited No. T 177 (D) APCOS**

**3.0 Objectives**

- 3.1 The objectives of the Union shall be to carry out activities conducive to the socio-economic development of the milk producers by effectively organizing production, processing and marketing of commodities as per the directions of the Federation.
- 3.2 To achieve the above objective, the Union may;
  - 3.2.1 Purchase, pool, process, manufacture, distribute and market commodities of the members and others safeguarding the interest of the members;
  - 3.2.2 Own or hold on lease or otherwise movable and immovable properties and dispose of the same;
  - 3.2.3 Purchase and/or erect buildings, plants and machinery and/or ancillary equipments;
  - 3.2.4 Organize new Milk Producers Co-operative Societies and develop the affiliated Societies to the utmost and advise, guide, assist, rectify, control or takeover their management part of fully, when necessary, and if appointed as an Administrator by the Registrar.
  - 3.2.5 Organise supervision of affiliated societies and for the purpose fix and collect the supervision charges with the permission of the Registrar;
  - 3.2.6 Undertake and/or encourage production of milk and growing of agricultural products;
  - 3.2.7 Provide veterinary and artificial insemination services and other technical inputs; for milk production enhancement and medicines for prophylactic and preventive purposes.

- 3.2.8 Own herd(s) of cattle for breeding programme;
- 3.2.9 Undertake marketing of cattle;
- 3.2.10 Render technical, financial, administrative and other necessary assistance to member societies.
- 3.2.11 Insure movable and immovable properties of the Union as may be found necessary;
- 3.2.12 Undertake insurance work and general insurance work related to the Union and its members on an agency basis;
- 3.2.13 Settle all matters of common interest of the members and to further their interests;
- 3.2.14 Carry on co-operative propaganda and impart amongst the members co-operative knowledge and its application to business method;
- 3.2.15 Arrange training of employees of the Union and members;
- 3.2.16 Undertake housing schemes for the employees of the Union with or without government aid and assist in similar schemes for its members.
- 3.2.16 (a) Assist Union Employees Co-operative Societies by taking shares by the Union. (addition dated 22-9-1987)
- 3.2.17 Create trust and raise funds for the benefit of the employees of the Union and its members and to assist the same;
- 3.2.18 Establish Research and Development associations having independent existence, contribute to its funds and raise funds for the same.
- 3.2.19 Organise and encourage saving schemes.
- 3.2.20 Generally, carry on such other activities as would further the above objectives and to do all such things as are incidental or conducive to the attainment of the above mentioned objectives.

## **ANNEXURE 3 (B)**

### **Ernakulam Regional Co-operative Milk Producers' Union Limited No. E 150 (D) APCOS**

#### **3.0 Objectives**

- 3.1. The objectives of the Union shall be to carry out activities conducive to the socio-economic development of the milk producers by effectively organizing production, processing and marketing of commodities as per the directions of the Federation.
- 3.2. To achieve the above objectives, the Union may;
  - 3.2.1 Purchase, pool, process, manufacture, distribute and market commodities of the members and others safeguarding the interest of the members;
  - 3.2.2 Own or hold on lease or otherwise movable and immovable properties and dispose of the same;
  - 3.2.3 Purchase and/or erect buildings, plants and machinery and/or ancillary equipments;
  - 3.2.4 Organise new Milk Producers' Co-operative Societies and develop the affiliated Societies to the utmost and advise, guide, assist, rectify, control or take over their management partially or fully, when necessary and if appointed as an Administrator by the Registrar;
  - 3.2.5 Organise supervision of affiliated Societies and for the purpose fix and collect the supervision charge with the permission of the Registrar;
  - 3.2.6 Undertake and/or encourage production of milk, growing of agricultural produces and production and Marketing of Agri-based food products, beverages and confectionary using milk as one of the ingredients.



- 3.2.7 Provide veterinary and artificial insemination services and other technical inputs of milk production enhancement and medicines for prophylactic and preventive purposes;
- 3.2.8 Own herd(s) of cattle for breeding programme;
- 3.2.9 Undertake marketing of cattle;
- 3.2.10 Render technical, financial, administrative and other necessary assistance to member Societies;
- 3.2.11 Insure movable and immovable properties of the Union as may be found necessary;
- 3.2.12 Undertake insurance work and general insurance work related to the Union and its members on an agency basis;
- 3.2.13 Settle all matters of common interest of the members and to further their interests;
- 3.2.14 Carry on co-operative propaganda and impart amongst the members co-operative knowledge and its application to business method;
- 3.2.15 Arrange training of employees of the Union and members;
- 3.2.16 Undertake housing schemes for the employees of the Union with or without Government aid; and assist in similar schemes for its members;
- 3.2.17 Create trust and raise funds for the benefit of the employees of the Union and its members and to assist the same;
- 3.2.18 Establish Research and Development Associations having independent existence, contribute to its funds and raise funds for the same;
- 3.2.19 Organise and encourage saving schemes.
- 3.2.20 Generally, carry on such other activities as would further the above objectives and to do all such things as are incidental or conducive to the attainment of the above mentioned objectives.

## **ANNEXURE 3 (C)**

### **Malabar Regional Co-operative Milk Producers' Union Limited NO. D 89 (D) APCOS**

#### **3.0 Objectives**

- 3.1. The objectives of the Union shall be to carry out activities conducive to the socio-economic development of the milk producers by effectively organizing production, processing and marketing of commodities as per the directions of the Federation.
- 3.2. To achieve the above objective, the Union may;
  - 3.2.1 Purchase, pool, process, manufacture, distribute and market commodities of the members and others safeguarding the interest of the members;
  - 3.2.2 Own or hold on lease or otherwise movable and immovable properties and dispose of the same;
  - 3.2.3 Purchase and/or erect buildings, plants and machineries and/or ancillary equipments;
  - 3.2.4 Organise new Milk Producers' Co-operative Societies and develop the affiliated Societies to the utmost and advise, guide, assist, rectify, control or take over their management partially or fully, when necessary and if appointed as an Administrator by the Registrar or at the request of the members concerned;
  - 3.2.5 Organise supervision of affiliated Societies and for the purpose fix and collect the supervision charges with the permission of the Registrar;
  - 3.2.6 Undertake and/or encourage production of milk, growing of agricultural products.
  - 3.2.7 Provide veterinary and artificial insemination services and other technical inputs for milk production enhancement and medicines for

prophylactic and preventive purposes;

- 3.2.8 Own herd(s) of cattle for breeding programme;
- 3.2.9 Undertake marketing of cattle;
- 3.2.10 Render technical, financial, administrative and other necessary assistance to member Societies;
- 3.2.11 Insure movable and immovable properties of the Union as may be found necessary.
- 3.2.12 Undertake insurance work and general insurance work related to the Union and its members on an agency basis;
- 3.2.13 Settle all matters of common interest of the members and to further their interests;
- 3.2.14 Carry on co-operative propaganda and impart amongst the members Co-operative knowledge and its application to business methods.
- 3.2.15 Arrange training of employees of the Union and members;
- 3.2.16 Undertake housing Schemes for the employees of the Union; with or without Government aid assist in similar schemes for its members.
- 3.2.17 Create 'Trust' and raise funds for the benefit of the employees of the Union and its members and to assist the same.
- 3.2.18 Establish Research and Development Associations having independent existence; contribute to its funds and raise funds for the same.
- 3.2.19 Organise and encourage saving schemes.
- 3.2.20 Generally, carry on such other activities as would further the above objectives and to do all such things as are incidental or conducive to the attainment of the above mentioned objectives.

## **ANNEXURE 4**

### **Objectives of KCMMF**

#### **Objectives**

The Fundamental objects of the Federation shall be:

- 3.1. To carry out activities for promoting production, procurement, processing and marketing of milk and milk production for economic development of the farming community.
- 3.2. Development and expansion of such other allied activities as may be conducive for the promotion for the Dairy Industry, improvement and protection for milch animals and economic betterment of those engaged in milk production. In particular and without prejudice to the generality of the foregoing objects, the Federation may:
  - 3.2.1 Purchase and/or erect buildings, plant, machinery and other ancillary equipment to carry out business:
  - 3.2.2 Study problems of mutual interests related to procurement, marketing of dairy and allied products:
  - 3.2.3 Produce purchase commodities from the members or from the others sources, without affecting the interests of its members, pool, process, manufacture, distribute and sell the same, arrange to manufacture/3.2.20 Organise and encourage saving schemes and propagate the concept and benefits of the co-operation movement;
  - 3.2.21 Provide common services cadre for officers and staff of the member Unions.
  - 3.2.22 Work as an Administration of its member Unions at the request of the Registrar;
  - 3.2.23 Encourage fodder production by members or members of the affiliated societies;

- 3.2.24 To own and rear herd of cattle as may be required to undertake the breeding programmes in the area;
- 3.2.25 Arrange for or assist in purchases of milch animals by the member milk producers;
- 3.2.26 And, generally take whatever steps necessary or proper or conducive or incidental to the attainment of any of these objects and purposes of the federation.
- 3.2.27 “Generally takes all necessary steps for the diversification of products for using the brand name milma with a view to effectively utilize the brand image and increase the turnover and profit of the organization”.

*[Amendment No. H2-16586/2000/R. Dis. Dated 22.2.2001]*

## ANNEXURE 5

### FINANCIAL ANALYSIS

Financial analysis of dairy co-operatives is important while considering its core competency and institutional sustenance. The procurement and deployment of financial resources of milk unions may be framed to achieve the objectives laid down in the bye-law of the union. The common objectives may be to promote sustainable dairying by member farmers, financial health of primaries & union, control on debtors & creditors, price leadership in the market, keeping the financial standards observed in the industry and also to keep a tab on entry level barrier. The present analysis shall also further intrude to the specific objectives chalked out by “**EXPERT COMMITTEE ON STUDY OF DAIRY CO-OPERATIVES**” for revitalizing the dairy co-operative movement in the state. The functional and financial composition of the three-tier dairy co-operative structure (MILMA) and its various operations needs a special attention. The trickledown theory has been observed while framing the three tier structure and it is the time to evaluate the vibrancy of the system. In this analysis financial aspects will be considered elaborately to locate the benefits to all beneficiaries on equality and equity basis. The common comment of horse and sparrow economic situation in the three tier dairy co-operative structure shall not be repeated to infuse confidence among all the stake holders in the dairy sector.

The top-down federal system has been helped to form a designer model co-operative structure which brought out an effective forward and backward linkage in the dairy sector. Considering the present crisis, it would be beneficial to correlate the financial parameters and its management by the entire constituents in the ladder to attain the operational effectiveness.



Whether the area of operation is compact or unwieldy and what would be the capital structure to evolve an optimum area of operation in which fundamental stake holders are motivated.

It is the ripe time to probe the deployment of financial resources in assets vis-à-vis the returns from it for the realization of basic objective of the structure.

A perspective financial plan shall have to be evolved to overcome the challenges being faced by the co-operative dairy sector and to quantify the required capital investments to enable the movement to keep pace with the changing socio-economic environment.

To relate the financial variables for evolving an optimum capital structure for deciding the size of the organization to bestow maximum benefits to the bottom of the pyramid.

## **I. Thiruvananthapuram Regional Co-operative Milk Producer's Union (TRCMPU)**

### **Capital Structure**

Capital structure of every co-operative organization is very important in terms of borrowing capacity. The borrowing capacity will be based on the net-worth of the organization. Net-worth is virtually mobilized from owners as well as internal accruals. The soundness of capital structure of co-operatives will be judged based on the benefits accrued to its members out of it. The cost of capital sources and yield arrived on the application of funds will facilitate us to decide the optimum capital structure.

Table No.1							
Capital Structure-TRCMPU Ltd (Rs.in Lakh)							
Year	Owner's Capital	% Growth	D e b t Capital	Ratio	Cost of Net-Worth (Dividend paid)	Cost of Debt	Interest income
2012-13	2865.00	-	1227	42.82	00	6.07	56.36
2013-14	4478.89	56	681	15.20	00	6.99	128.69
2014-15	5299.00	84.95	1014	19.13	00	5.80	55.93
2015-16	5891.93	105	893	15.15	00	6.81	86.42
2016-17	7385.00	157	610	8.25	00	8.51	149.29
Average	5183.96		885				95.33
Compound Annual Growth Rate	26.70		19.09				
Source:- Annual report & Audit report							

The financial soundness of every organization is judged by seeing the benefits that accrued to stake holders. The private dairies may employ high debt to take the benefit of cost of debt for reducing the income tax liability, thereby disposable surplus would be increased. The trading on equity by private dairy organization would be beneficial to equity holders by declaring high dividend payout. The very characteristics of co-operative organization are to meet economic, social and cultural needs of the member. The source and composition of capital would be selected to meet the above said needs of the members. The derived capital structure shall have to meet the fundamental objective of protecting farming job of the ultimate members. TRCMPU's derived capital structure needs to be analyzed by looking into the benefits bestowed to pouring members of their

affiliated units. Co-operatives are distinct from capitalist organization and they do not collect much equity capital from members due to the observance of limited interest on capital and also by considering the economic background of members. But the capital is a vital required resource and its perennial source shall be ensured by designing appropriate financial products. It is the common practice of every co-operative organization is to mobilize thrift/savings from the members from their regular source of income derived from the observance of self- help. Considering all these an appropriate hybrid debt capital or secured preference capital shall have to be designed by the Union on priority basis. The appropriation of surplus generated out of operation ,on which the members got a share of right shall be used for not only augmenting the borrowing capacity of the Union but also must be useful for increasing the financial soundness of its member units. The present capital structure of the TRCMPU is derived out of poor conceptual clarity. The mobilization of equity capital from the initial year 2012-13 to terminal year 2016-17 has been recorded a mammoth growth rate of 157%. But looking at the financial health of primaries, are they achieved the same growth rate in their capital structure or do the investment made by the primary co-operatives earn optimally?, are they not playing horse and sparrow theory? In a span of half decade, TRCMPU did not declare dividend which means the equity contribution from members is not beneficial for the affiliated units.

The huge piling up of equity capital urged for hasty investments which has been resulted into unwieldy deployment of funds in fixed assets and net current assets. The growth rate of fixed assets in the reference period is 52% and net current assets are more than 1000 times, but the return on capital employed has recorded-10.27% only. The investment in fixed assets and net working capital has not been effectively used by the union for the benefit of their member societies.

## Share Capital & Net worth

Financial soundness of the organization can be measured by critically evaluating the paid-up share capital and net worth. As per the co-operative ideology, the co-operatives shall not be run by the capitalist. If this principle is being followed, the organization cannot mobilize more share capital due to the limiting nature of dividend and poor economic background of affiliated units. Considering these factors, the capital mobilization is suggested to be done by ploughing-back the profit earned and also sourcing the hybrid debt capital from the primary stake holders which will ensure a regular assured income to the members.

<b>Table No. 2</b>				
<b>Share Capital &amp; Net-worth (Rs.in Lakh)</b>				
<b>Years</b>	<b>Share Capital</b>	<b>Reserves &amp; Surplus</b>	<b>Net Worth</b>	<b>AssetTOR</b>
2012-13	1997	868	2865	9.68
2013-14	2000	2478	4478.89	22.65
2014-15	2002	3297	5299	20.22
2015-16	2202	3689	5891.93	12.90
2016-17	4206	3179	7385	10.79
Average	<b>2481.4</b>	<b>2702.2</b>	<b>5183.8</b>	<b>15.2</b>
CAGR	<b>16.06%</b>	<b>29.64%</b>	<b>20.84%</b>	<b>2.19</b>
Source:- Annual report & Audit report				

The share capital mobilization by the union has been accelerated in all the years. The compound growth rate of 16.06% is an indicator in the share capital mobilization by the entity. It is noted that the reserves and surplus has been increased in all the years and the growth rate is 29.64%. The CAGR speaks out the performance in the building up of reserves and surplus. The union has got a borrowing capacity to the tune of 886 crores for business diversification as

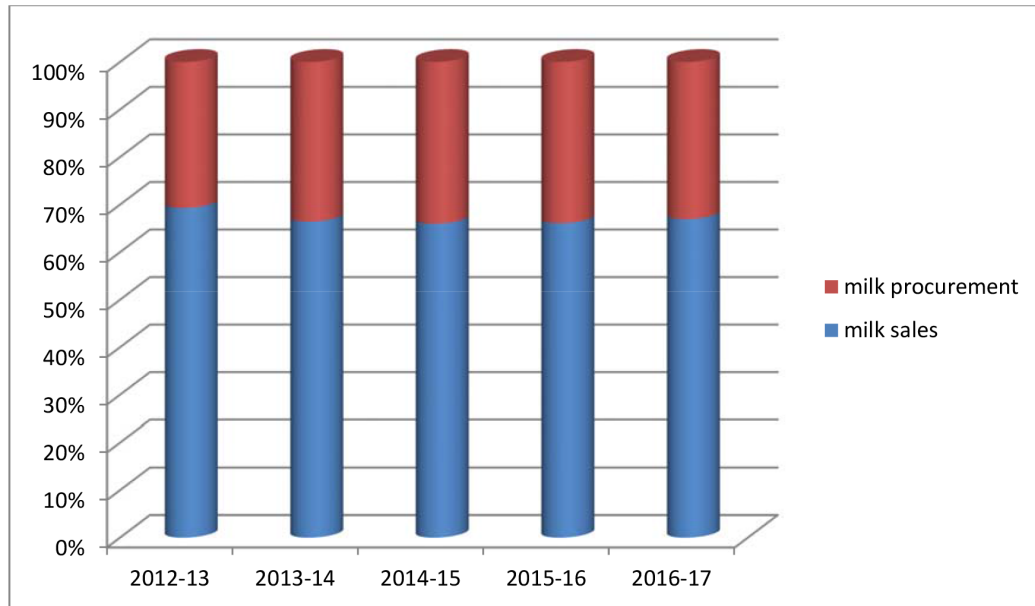
per its bye-law. The strong borrowing capacity is meritorious, if it is being used properly for the benefit of its stake holders. Mere investment in the fixed assets/ capacity enhancement will not be the alone measurement of performance but, how these assets are used in the business for increasing the returns to its members. The asset turnover ratio was 22 times and it has drastically reduced and in the last year it is only 10.79 times which measures the poor utilization of assets of the organization.

### **Demand Supply Gap**

The potential of every business depends up on the demand supply gap in the market. TRCMPU is in a strong wicket to sell all their products by using the homely acclaimed brand name 'MILMA'. Though many private players were tried to make in road in to the market but they failed to retain the market due to consumer's preference on MILMA brand.

<b>Table No. 3</b>					
<b>Details on Milk Procurement, Sales and Deficit</b>					
<b>(Units in Lakh litres per day)</b>					
<b>Year</b>	<b>LLPD Per Day MilkSales (LLPD)</b>	<b>Per Day Milk Procurement (LLPD)</b>	<b>Deficit (LLPD)</b>	<b>Deficit%</b>	<b>Procurement &amp; Input Services Cost (Rs in lakh)</b>
2012-13	466199	206516	259683	55.70	2338.38
2013-14	460502	232851	227651	49.43	2971.10
2014-15	471044	242979	228065	48.41	1778.00
2015-16	471140	241702	229438	48.69	2327.72
2016-17	486654	240413	246241	50.59	1666.00
Average	471107	232892.2	238215.6	50.56	2216.24
CAGR	1.07	3.8			
Source:-Annual reports and audit reports					

Based on the available data, the supply demand gap was ascertained by collating five year's data. On an average 50% deficit has been recorded in all the years coming under the study period. The researcher could not find any valid data and any creative efforts for bridging the gap. Union is embarking up on other states/unions for sourcing the liquid milk. It is an attitudinal problem and the trend is against all risk theories & parameters prevailing in the business world. The average expenditure on procurement & input services are amounts to Rs.22.16 crores. The average procurement and input services cost per liter is approximately is Rs.0.38 per litre. All the capacity building, procurement and other input services are not effective to phase-out the prevailing gap in the procurement and sales of milk. A perspective plan has not been drawn to motivate the existing farmers and to attract new entrepreneurs to the dairy sector.



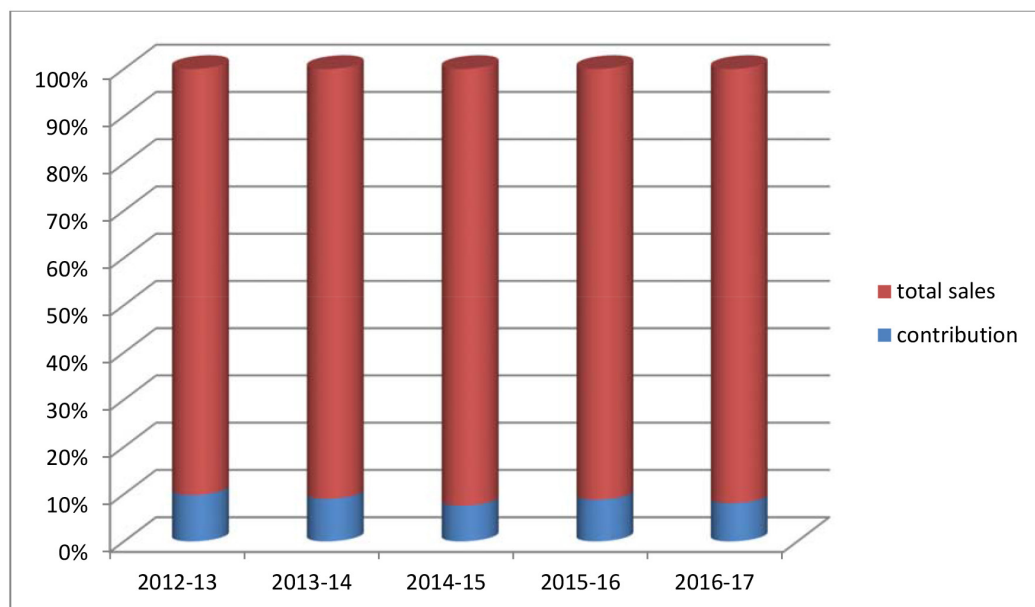
## Profit Volume Ratio

The profit volume ratio is a test to know the ability of the organization to generate profit with every sales. The contribution is the extra amount of sales over variable cost.



Table No. 4			
Details of Profit Volume Ratio (Rs. Lakhs)			
Year	Contribution	Total sales	P/V Ratio
2012-13	6523.48	59797.69	10.90
2013-14	6575.55	66321.26	9.91
2014-15	6173.93	75467.93	8.18
2015-16	7429.31	76644.23	9.69
2016-17	7183	81663	8.79
Average	6777.05	71978.82	9.49
CAGR	1.94%	6.43%	-4.2%
Source:- Annual & Audit reports			

The average P/V ratio of the union is below 10% which indicates the susceptibility to suffer the losses if there is a negative trend in the procurement, process and marketing functions which hit in the domestic as well as in the exotic market. A stable P/V ratio shall have to be retained by the organization for the sustainable development. The CAGR of contribution is only 1.94% but the CAGR of total sales is 6.43%. A positive correlation between contribution and sales could not be attained by the union.



## Break Even Analysis

Break even business analysis is a fundamental one which will provide an insight in to the behavior of the cost, yield and controllability. The input derived from the marginal cost analysis will be in a position to diagnose the present situation and a long range planning may also be framed according to the objectives of the organization.

### (a) Break Even Business (BEB) on Direct Income

BEB is being calculated on direct income to know its capability to run the business without relying on miscellaneous income.

Table No. 5						
Break-Even Business Details on Direct Income and Safety Margin						
(Rs.in Lakhs)						
Year	Total Sales	Total Direct Expenses	Contribution	BEB on Direct Sales	Margin	Safety Margin %
2012-13	59797.69	53274.21	6523.48	56895.57	2902.12412	4.853237842
2013-14	66321.26	59745.71	6575.55	71917.10	-5595.83583	-8.43746911
2014-15	75467.93	69294.00	6173.93	76188.64	-720.706123	-0.95498329
2015-16	76644.23	69214.92	7429.31	76890.28	-246.047733	-0.32102577
2016-17	81663.00	74480.00	7183.00	77721.17	3941.83424	4.826952527
Source:- Annual & Audit Report						

The major assumptions up on which the break even business is calculated

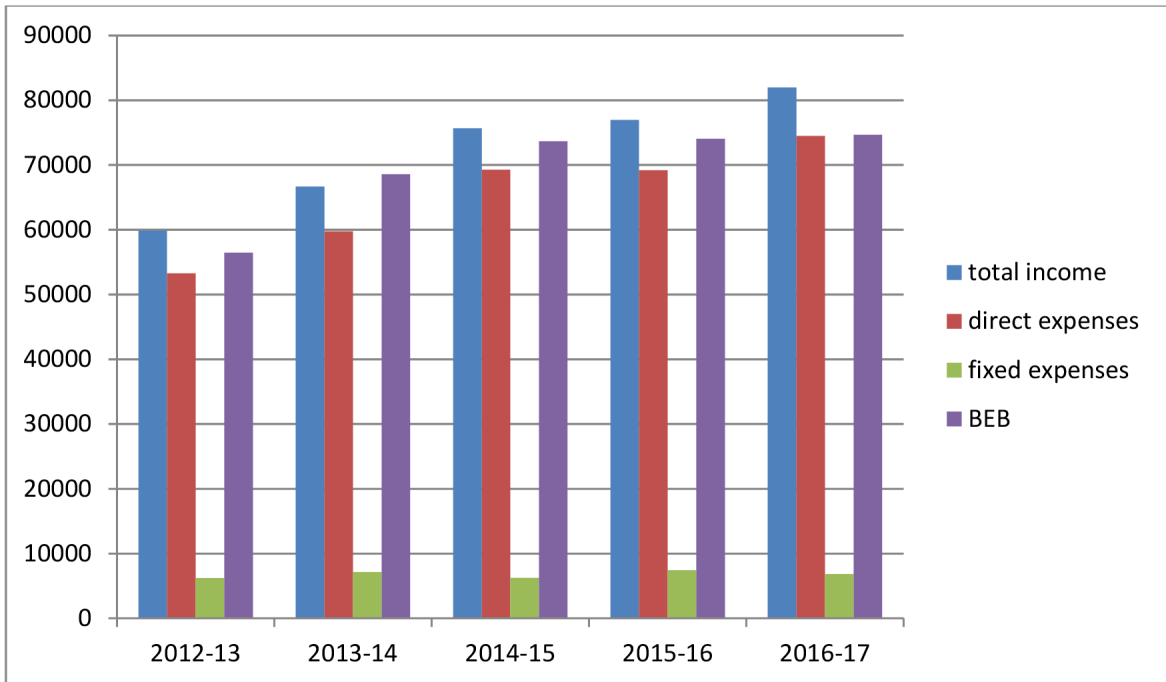
- Sales and other revenue contained in the trading and manufacturing account has been taken as direct income.
- The direct expenses / variable expenses has taken out from the manufacturing & trade account
- Fixed cost has been taken from the profit & Loss account.

TRCMPU's fixed cost management is very intermittent for the last 5 years. The direct income of the union was capable to bring break even business only in the initial and terminal years, i.e 2012-13 & 2016-17. Though the organization achieved the BEP in the years referred earlier, but the safety margin is only below 5% in these years. The safety margin is very thin and the possibility of absorbing shocks in the business arena is very less.

### **(b) Break - Even Business on Total Income**

The break-even business, calculated on total income will spell out to know the organization's capability of attaining BEB on total income. Under this approach the miscellaneous income is reduced from the fixed cost for the calculation.

<b>Table No. 6</b>						
<b>Details on BEB and Safety Margin</b>						
<b>Years</b>	<b>Total Income</b>	<b>Total Direct Expenses</b>	<b>Contribution</b>	<b>Total Indirect Expenses</b>	<b>BEB on Direct Income</b>	<b>Safety Margin</b>
2012-13	59853.05	53274.21	6578.84	6206.88	56469.03	5.65
2013-14	66678.40	59745.71	6932.69	7130.36	68579.58	-2.85
2014-15	75697.10	69294.00	6403.10	6232.89	73684.89	2.65
2015-16	76959.38	69214.92	7744.46	7453.16	74064.63	3.76
2016-17	81984.00	74480.00	7504.00	6836.28	74688.91	8.89



Source:- Annual & Audit Reports

Union has achieved BEB only with the help of miscellaneous income. The dependence on miscellaneous income is not reliable all the time for maintaining the core competency of the organization. The safety margin of the organization is very poor. The restructuring of fixed cost is inevitable. The ways in which it can be achieved shall be researched out.

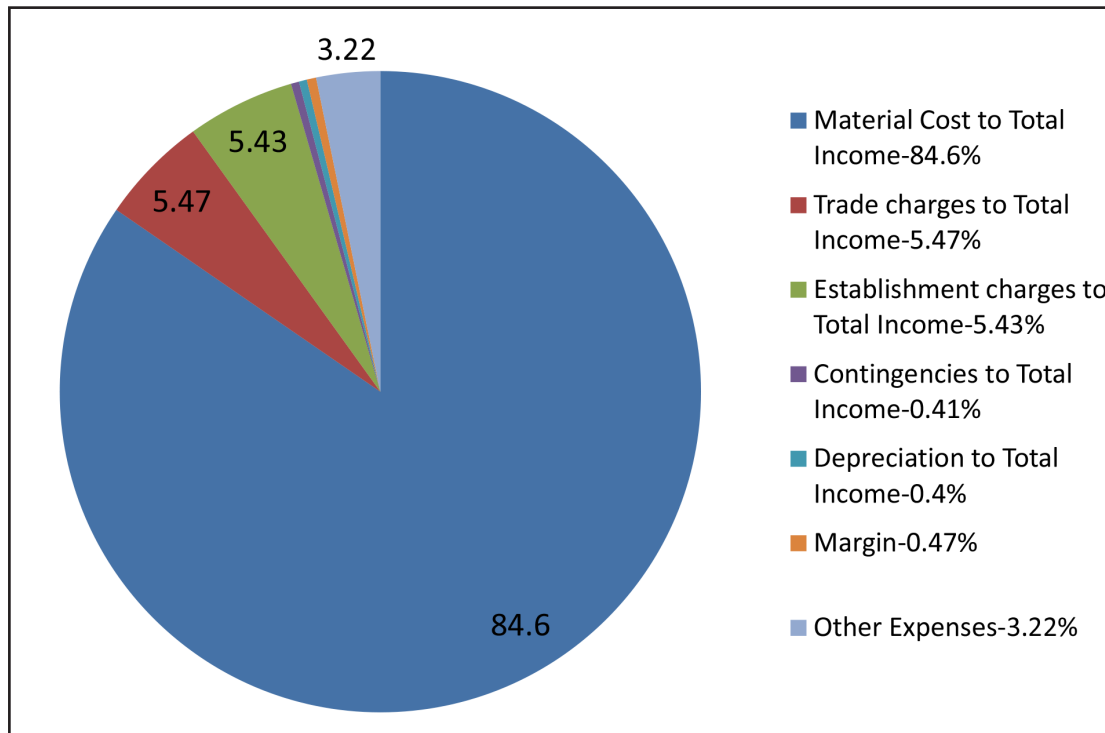
### Spread of Income

An analysis to establish the share in the revenue of the organization by different stake holders carry its importance. The data collected from TRCMPU put in to analysis and it reveals the following.

Table No. 7

Year	Material to Total Income	Trade Charges to Total Income	Establishment Charges to Total Income	Contingencies to Total Income	Taxes & Duties to Total Income	Procurement & Input Cost to Total Income	Depreciation to Total Income	Indirect Material to Total Income	Margin
2012- 13	83.36	5.65	5.59	0.36	0.01	3.91	0.46	0.04	0.62
2013- 14	83.83	5.77	5.33	0.37	0.01	4.46	0.45	0.07	-0.30
2014- 15	86.36	5.18	5.08	0.39	0.01	2.35	0.35	0.04	0.22
2015- 16	84.64	5.30	5.74	0.46	0.03	3.02	0.38	0.05	0.38
2016- 17	85.39	5.46	5.39	0.47	0.02	2.03	0.36	0.06	0.81
Total	423.58	27.36	27.13	2.05	0.08	15.77	2.00	0.26	1.73
Average	84.60	5.47	5.43	0.14	0.02	3.15	0.40	0.05	0.34

**Income Distribution of One Rupee-TRCPMU**



The above table clearly indicates the manner in which the revenue income of TRCPMU is distributed among the different constituents. The major share has been given for the material cost, which constitute an average of 84% and the second largest one is employees cost which enjoys 5.5%. The importance of procurement and input services also recognized and it got a share of 3% on an average. The balance is distributed among different cost like wages, manufacturing expenses, notional costs and other amortization aspects.

Material cost of 83% in the total income is genuinely justifying the structure. The highest share of material cost will be beneficial to the farmers who pour their marketable surplus in their co-operative society. It is noted that Union has maintained an average share of 5.5% as employees cost to total income in all the years. The manifold growth rate of 36% over a period of 5 years in the total income could not reduce the employee cost. This is one of the areas where



an elaborate study is required. The universal financial theory establishes that the fixed cost per unit decreases with increases in the volume of production. This common theory is violated in this organization and all possible steps may be initiated for padding up to prevent the spillage. It is high time to evolve a standard ratio for the fixed cost, particularly for milk unions.

### **Trends on Profitability**

Performance of co-operatives would be judged not only on earning of profit but also looked into economic, social and cultural need satisfaction of members. It is mandatory on the part of the union to earn an optimum profit after meeting all the requirements of members.

<b>Table No. 8</b>					
<b>Year</b>	<b>Total Sales</b>	<b>Gross Profit</b>	<b>Gross Profit to Sales</b>	<b>Net Profit</b>	<b>NP Ratio</b>
2012-13	59797.69	6566.00	10.98	—58.68	0.09
2013-14	66321.26	6575.55	9.91	235.50	0.35
2014-15	75467.93	6173.93	8.18	647.36	0.85
2015-16	76644.23	7429.31	9.69	181.55	0.23
2016-17	81663.00	7183.00	8.79		0

The trend on gross profit and net profit earned by the union exhibited in the above table. The average gross profit ratio of the union is below 10% and it may not be possible to combat the highly competitive market in the external environment. The milk price bestowed to famers is a limiting factor and cannot be touched. The next best possible suggestion is to exercise control on manufacturing, labour and selling & distribution expenses. The performance/ Zero Based Budgeting process and its active implementation will address this matter effectively.

## II. Ernakulam Regional Co-operative Milk Producers Union (ERCMPU)

Table No. 9					
Capital Structure-ERCMPU Ltd (Rs.in Lakh)					
Year	Owner's Capital	Debt Capital	Ratio	Cost of Debt	Cost of Net-Worth (Dividend Paid)
2012-13	1185.33	91.94	7.75		00
2013-14	1786.39	483.67	27.07	14.1	00
2014-15	3228.98	231.6	7.17	17.60	00
2015-16	4147.25	11.76	0.28	16.21	00
2016-17	5982.54	73.51	1.22	15.99	1.83%
Average	3266.09	178.49	8.70		2.17%
Compound Annual Growth Rate	38.23	14.18			

\* opening debt during the year 2014 was 91.94

\* The average debt and capital have taken for the calculation of cost of debt and net-worth.

Net-worth of ERCMPU has grown to a greater extend. The Compound Annual Growth Rate is 38.23%, which is a great achievement by the union. Based on the available data, the cost of debt is calculated and it ranges from 14.1% to 17.60%. The cost incurred for the debt is little higher side and the average dividend payout ratio is 2.17%.

The average Debt Equity Ratio of the Union is 8.70%. Union exercises a capital structure which gives importance to more share capital and less debt. The trend on dividend pay-out is also observed and it is proved that the affiliated primary

units are least benefited out of it. The present capital structure is not beneficial to the primary co-operatives.

<b>Table No. 10</b>					
<b>Details of Interest Income &amp; Bank Deposits</b>					
<b>Year</b>	<b>Interest income</b>	<b>Growth %</b>	<b>Cash at bank</b>	<b>Growth %</b>	<b>Investment in Bank (FD)</b>
2012-13	53.63	-	1232	-	956.17
2013-14	102.27	90.69	2562	107.95	650.12
2014-15	253.85	282.64	2467.02	100.24	510.3
2015-16	91.14	69.94	2280	85.06	953.02
2016-17	128.97	140.48	2163.51	756.09	811.75
<b>Average</b>	<b>125.97</b>	<b>145.93</b>	<b>2140.90</b>	<b>262.33</b>	<b>776.27</b>
Source:- Annual report, Audit certificate & Memorandum					

The trend on interest income and bank deposit reveals the procurement and deployment of funds by the union. The manifold growth in the net-worth led to a particular investment habit. The incremental net-worth kept in the bank deposit by anticipating a secured interest income for the benefit of the union. The miscellaneous income generated by the Union may enhance the net profit and it may indirectly help the societies in the form of dividend or in the way of milk incentive. Adopting this method is costly for the Union because the interest income may attract income tax and it will pull down the profit.

### **Income Distribution**

It is worth to draw inferences on income generation and how these income being distributed among the various purposes. An analysis of this sort is carried out in the table given below

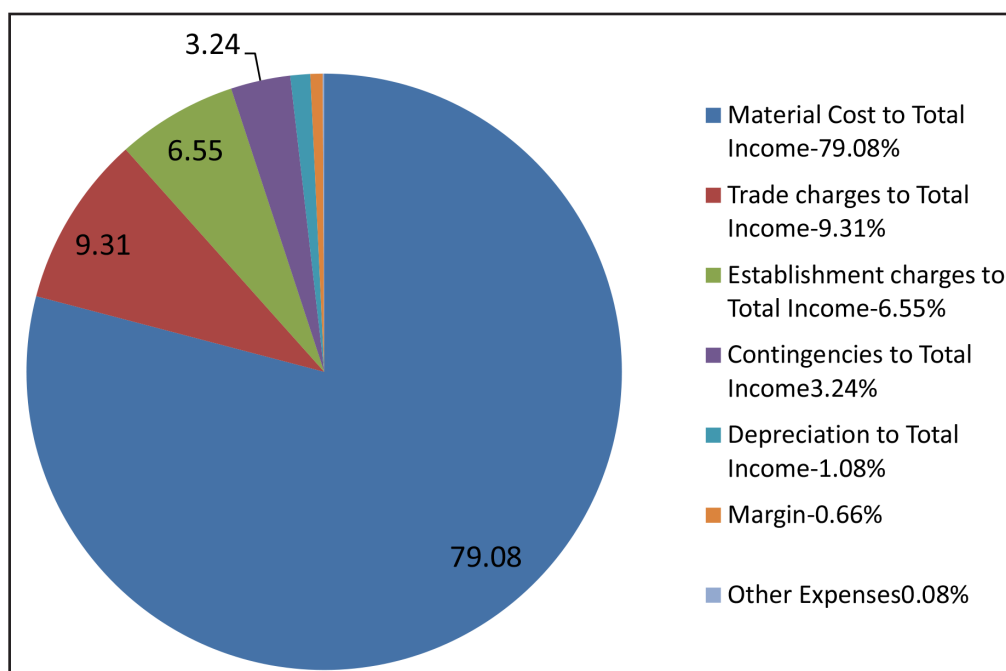
<b>Table No. 11</b>								
<b>Details of Income Distribution</b>								
<b>Year</b>	<b>Material Cost to Total Income</b>	<b>Trade Charges to Total Income</b>	<b>Interest Cost to Total Income</b>	<b>Establishment charges to Total Income</b>	<b>Contingencies</b>	<b>Depreciation &amp; Other Provisions to Total Income</b>	<b>Total</b>	<b>Margin</b>
2012-13	77.74	10.76	0.16	6.51	1.38	1.29	97.84	2.16
2013-14	79.39	11.03	0.10	7.20	1.95	0.69	100.36	-0.36
2014-15	79.95	9.20	0.12	6.60	2.88	0.64	99.39	0.61
2015-16	79.08	8.48	0.03	6.58	4.21	1.06	99.45	0.55
2016-17	79.26	7.09	0.01	5.58	5.76	1.72	99.70	0.30
Total	395.42	46.56	0.42	32.74	16.18	5.4		3.26
Average	79.08	9.31	0.08	6.55	3.24	1.08		0.65

Union's income consists of all revenues derived from sales and other indirect income. Various managerial decisions can be drawn by taking the share of different variables in the total income of the organization. The material cost enjoys the biggest share which is also constant but it has been ensured slight increase in every year. The share of trade charges is around 9% in all the years. The point for the appreciation is that the union progressively controlled trade charges over the period. The trade charges was 10.76 % in the year 2012-13 and this variable cost controlled effectively in all the years.

A seesaw trend is observed in the establishment charges over the years. The swing is in between 5.85% to 6.51%.

The contingency cost is another area for the improvement. Union has to control the fixed cost especially the contingency cost. Contingency cost is moving upward in all the years which is an unhealthy trend

## Income Distribution of One Rupee - ERCMPU



### I. Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

ERCMPU's capability of generating revenue to meet all mandatory expenses is measured in this analysis. It measures union's operating performance. Essentially, it is a way to evaluate the performance without considering the factors which influences the financing, accounting decisions or tax environment.

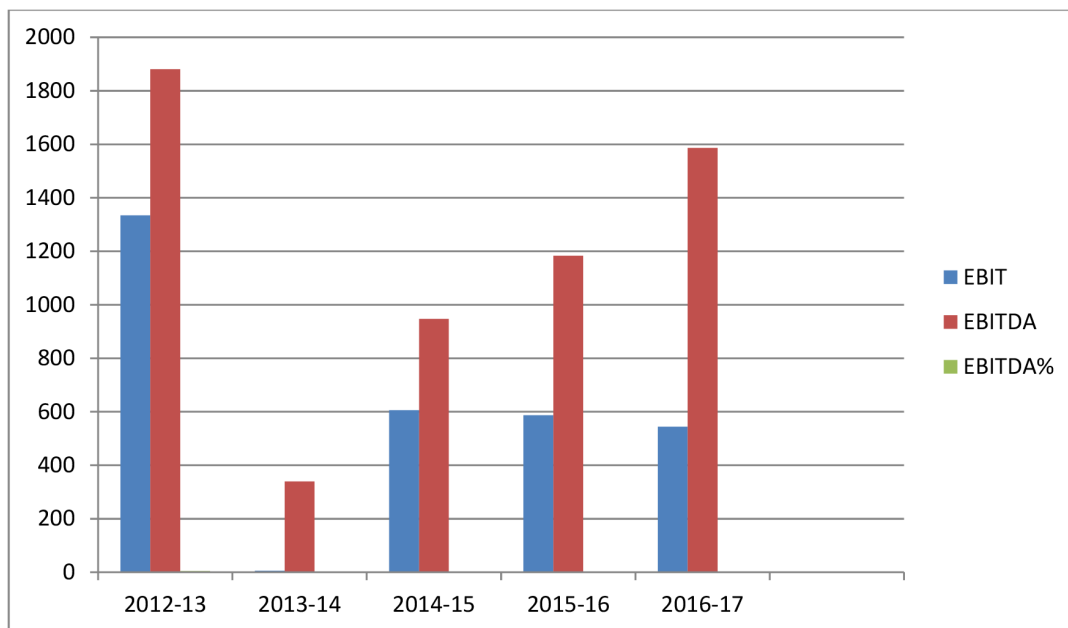
**Table No. 12**

Year	EBIT	EBITDA	EBITDA %		
2012-13	1054.74	1601.74	3.81	1054.74	1601.74
2013-14	-75	259	0.54	-75	259
2014-15	448	789	1.5	448	789
2015-16	348	944	1.7	348	944
2016-17	201	1243	2.08	201	1243

Capability of the union to create a healthy EBIT and EBITDA have to be discussed seriously. The EBIT and EBITDA for the last 5 years have been resulted

into a negative CAGR. In the initial years all these were showing comfortable and a positive upward trend but the later all indicators plunged down.

The EBITDA of the union is far below the rough standards stipulated for the co-operative dairy industry.



Milk and milk products is a big business, but has thin margins primarily because of the co-operatives' presence. If the MNCs try to match the two ends - procurement and selling - on lines of co-operatives, they fail miserably. Unlike corporate or private dairy investors, who calculate investments based on 20-30 per cent EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortization), co-operatives are satisfied even at 6 per cent EBITDA. Considering the standard that prevails in the milk industry, the ERCMPU is far away from the standard point in terms of EBITDA achievement.

### Break- Even Business

Break even and safety margin aspects of ERCMPU has analyzed with the help of the data collected from their corporate office. Cost plays an important role in playing economic viability of a dairy enterprise. It is a critical economic indicator



for milk producers, consumers and policy makers in order to provide an effective linkage between the milk producers and consumers for fixing the price of milk rationally

<b>Table No. 13</b>						
<b>Break-Even and Safety Margin Ratio</b>						
<b>Year</b>	<b>Break Even on Direct Income</b>	<b>Safety Margin</b>	<b>Safety Margin %</b>	<b>Break Even Business on Total Income</b>	<b>Safety Margin</b>	<b>Safety Margin %</b>
2012-13	37139.69	4886.30	11.62	37489.41	4932.32	11.62
2013-14	58577.89	-10952.89	-22.99	50513.51	-2164.51	-4.47
2014-15	57111.02	-4563.02	-8.68	49868.08	3439.91	6.45
2015-16	58292.77	-2840.77	-5.122	53338.41	2749.58	4.90
2016-17	64550.07	-4913.07	-8.23	58950.11	1483.88	2.45

Union has not achieved break even on direct income in any one of the years coming under the analysis and could achieve break even on total income only. The safety margin is not stable and the stability of viable business is in question. A sustainable business is influenced by the comfortable safety margin. The thin safety margin may invite troubles and there will be ample scope for making losses by the business. The safety margin of the union ranges from 2.45% to 11%. This is one of the marginal cost aspects of the entity asking for improvement which is necessary for accruing regular income to the ultimate beneficiaries.

### **Procurement & Sales Gap**

Milk unions are organized for the following:-

1. Providing assured and remunerative market for all the milk produced by the farmer members.

2. Providing hygienic milk to urban consumers.
3. To build village level institutions in co-operative sector to manage the dairy activities.
4. To ensure provision of milk production inputs processing facilities.
5. To facilitate rural development by providing opportunities for self-employment at village level, preventing introducing cash economy and opportunity for steady income.

<b>Table No. 14</b>				
<b>Procurement &amp; Sales Gap</b>				
<b>Year</b>	<b>Procurement (Litre)</b>	<b>Sales (Litre)</b>	<b>Percentage (%)</b>	<b>Gap %</b>
2012-13	731.4	1092.75	66.93	33.07
2013-14	803.15	1076.09	74.64	25.36
2014-15	851.85	1125.79	75.67	24.33
2015-16	981.45	1162.31	84.44	15.56
2016-17	974.34	1201.84	81.07	18.93
<b>Source:- Annual Report and Audit Reports</b>				

The data on procurement & sales of ERCMPU provides an insight to the self-reliance of the union in attaining the balance between procurement and sales. In the first year of analysis the gap was 33% and gradually they reduced the gap year after year. The efficiency trend on improving the procurement continued up to 2015-16 and thereafter the gap began to amplified .immediate attention shall be given to enhance the procurement

### **Procurement and P& I Cost**

The procurement is one among the vital factor for the success of the Anand Pattern structure .Success in procurement by the primaries will provide strong base to the bottom line and reliable success to the upper layer of the organization

<b>Table No. 15</b>				
<b>Procurement &amp; Procurement Cost</b>				
<b>Year</b>	<b>Procurement (Litre)</b>	<b>Percentage Change</b>	<b>P&amp;I Cost</b>	<b>Percentage Change</b>
2012-13	731.4		131.13	
2013-14	803.15	9.86	135.18	3.05
2014-15	851.85	16.46	109.33	-16.62
2015-16	981.45	34.18	166.97	27.33
2016-17	974.34	33.20	186.99	42.44
CAGR		5.9%		7.35%
Source :- <b>Annual Report and Audit Reports</b>				

ERCMPU's Procurement and P&I cost are not matching each other. The CAGR of procurement is only 5.9% but the P&I cost is higher than the procurement. The soundness of P&I expenses shall have to be justified, examined for the coming years.

### **Composition of Procurement (Quantity in litres)**

Performance of union depends up on the procurement of milk from time to time.

<b>Table No. 16</b>									
<b>Year</b>	<b>APCOS in litres</b>	<b>Non APCOS</b>	<b>Other Unions</b>	<b>Outside Purchase</b>	<b>Total</b>	<b>APCOS in Litres</b>	<b>Non APCOS</b>	<b>Other Unions</b>	<b>Outside Pur- chase</b>
2012-13	718.71	12.68	25.69	333.56	1090.64	65.9	1.16	2.36	30.58
2013-14	785.43	17.72	18.92	283.39	1105.46	71.05	1.6	1.71	25.64
2014-15	837.22	14.63	27.08	282.23	1161.16	72.1	1.26	2.33	24.31
2015-16	962.42	19.03	23.05	169.47	1173.97	81.98	1.62	1.96	14.44
2016-17	958.22	16.11	10.65	240.68	1225.66	78.18	1.31	0.87	19.64
<b>Average</b>	<b>852.4</b>	<b>16.03</b>	<b>21.08</b>	<b>261.87</b>	<b>1151.38</b>	<b>73.84</b>	<b>1.39</b>	<b>1.85</b>	<b>22.92</b>

Union procure 74% of their milk requirements from member co-operative societies and 23% from other states. The procurement from other states have been considerably reduced from 2012-13 onwards up to 2014-15 and thereafter the percent of outside state procurement increased in a greater extend.

**II. Malabar Regional Co-operative Milk Producers Union Ltd**

<b>Table No. 17</b>						
<b>Capital Structure-MRCMPU Ltd (Rs. in Lakh)</b>						
<b>Year</b>	<b>Owner's Capital</b>	<b>Debt Capital</b>	<b>Ratio</b>	<b>Cost of Net-Worth (Dividend Paid)</b>	<b>Share Capital</b>	<b>Interest Income</b>
2012-13	6800.71	304.85	4.48	8	2293.57	529.29
2013-14	9645.46	230.24	2.38	00	2671.44	334.04
2014-15	11112.33	183.19	1.64	00	2671.53	315.18
2015-16	13708.37	00	00	7	3521.80	433.69
Average	10316.71	179.57	2.83	7.5	4569.04	403
Compound Annual Growth Rate	15.05	Cost of net-worth has calculated by making relationship between dividend paid and paid-up share capital of the union				

MRCMPU also follows the same pattern adopted by other milk unions in the state, in the case of capital structure. The debt capital is below 5% of share capital of the Union. The cost of share capital of the organization is below 8%. Union declared the dividend only for two years out of last 5 years. A risk free capital structure is drawn and union plays safely at the cost of primary APCOS.

Table No. 18			
Gross Profit to Direct Income			
Year	Gross Profit	Total Direct Income	Gross Profit to Direct Income
2012-13	5762.00	78346.00	7.35
2013-14	6322.00	86211.00	7.33
2014-15	6311.66	97838.66	6.45
2015-16	5564.57	107671.57	5.17
2016-17	11457.00	117012.00	9.79

Gross profit is an indication of primary performance of every business organization.

The gross profit ratio is below 10% and consistency could not be achieved by the union.

Table No. 19					
Year	Break Even on Direct Income	Safety Margin	Break Even on Total Income	Safety Margin	Safety Margin %
2012-13	101458.48	-23112.48	76076.68	4275.75	5.32
2013-14	130638.98	-44427.98	102911.61	-14477.61	-16.37
2014-15	120528.16	-22689.5	83171.39	17213.27	17.15
2015-16	164773.65	-57102.08	103500.15	7498.42	6.76
2016-17	121669.19	-4657.19	114470.19	3320.81	2.82

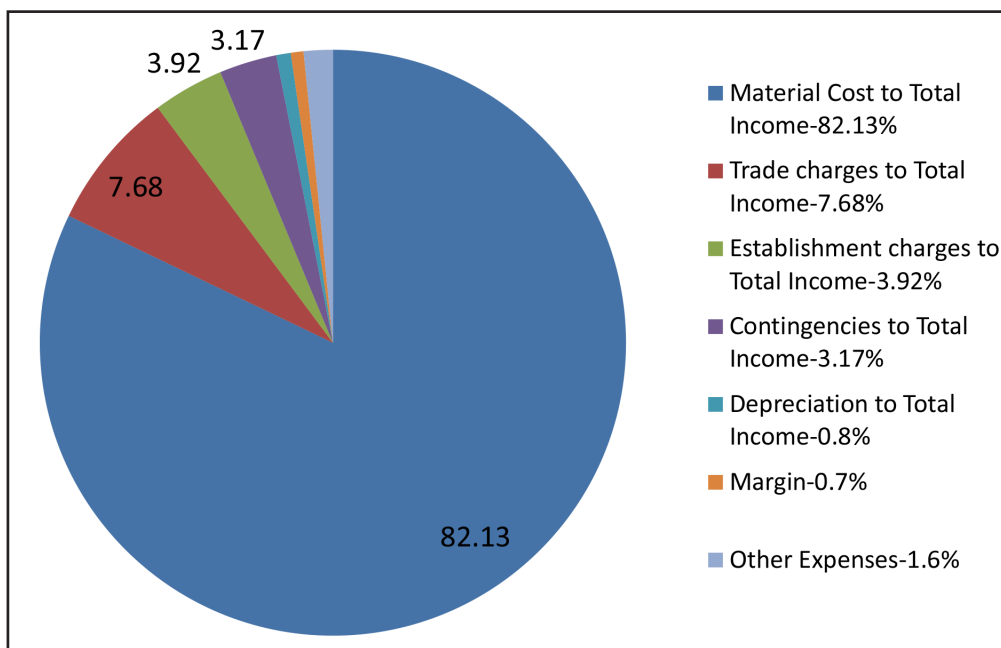
Could not achieve break even on direct income, but on total income union was in a position to achieve it. In the last 3 years and the first two years it failed to cross the bench mark of 20%.

Table No. 20								
Income Distribution								
Year	Material Cost to Total Income	Trade Expenses to Total Income	Establishment Cost to Total Income	Administrative Cost/ Contingencies to Total Income	Depreciation & Reserves to Total Income	Other Expenses to Total Income	Total Cost	Margin
2012-13	84.03	6.30	3.92	4.11	0.77	0.16	99.29	0.71
2013-14	80.23	5.72	3.97	5.76	0.79	4.92	101.39	-1.39
2014-15	81.61	9.57	3.78	2.61	0.80	0.24	98.60	1.40
2015-16	82.12	9.86	3.76	2.63	0.81	0.46	99.65	0.35
2016-17	82.67	6.94	4.158	0.73	0.82	2.20	97.52	2.48
<b>Average</b>	<b>82.13</b>	<b>7.68</b>	<b>3.92</b>	<b>3.17</b>	<b>0.80</b>	<b>1.60</b>	<b>99.29</b>	<b>0.71</b>

Union pays more than 80% for material cost from its revenue income, which is beneficial to the farmer. The trade charges in every year are showing an increasing trend which should be controlled.

The contingency cost is under control and it must be continued.

### Income Distribution of One Rupee- MRCMPU





## Share Capital & Net worth

Financial soundness of the organization can be measured by critically evaluating the paid –up share capital and net worth . As per the co-operative ideology, the co-operatives shall not be run by the capitalist. If this principle is being followed, the organization cannot mobilize more share capital due to the limiting nature of dividend and poor economic background of affiliated units. Considering these factors, the capital mobilization is suggested to be done by ploughing-back the profit earned and also sourcing the hybrid debt capital from the primary stake holders which will ensure a regular assured income to the members.

Table No. 21			
Year	Share Capital	Reserves & Surplus	Net Worth
2012-13	2293	1374.72	3667.72
2013-14	2671	454.46	3125.46
2014-15	2671	1252	3923
2015-16	3521	1449	4970
2016-17	4569	1522	6091
CAGR	14.78%	2.06%	10.68%

The share capital mobilization by the union has been accelerated in all the years .The compound growth rate of 14% is an indicator in the share capital mobilization by the entity. It is noted that a cooperative entity shall not give much emphasis on share capital mobilization from its members. The limited interest on capital practiced by co-operatives is a limiting factor.

<b>Table No. 22</b>			
<b>Kerala Co-operative Milk Marketing Federation</b>			
<b>Year</b>	<b>Sales</b>	<b>Cost of Goods Sold (CoGS)</b>	<b>Sales to cogs</b>
2012-13	29849	27987.75	93.47730463
2013-14	38651	36063.07	93.15724514
2014-15	33651	32123	95.29400736
2015-16	39181	37579.86	95.60359214
2016-17	42540	40171	94.19199025
CAGR	9.26	9.45	

The sales and cost of goods sold are closely related variables which will decide the success in the mandate business. As per the data, the federation has been maintained growth rate of 9.26% over the period and the cost of goods sold also maintained almost same trend. Federation has got a controllability in all the components of cost of goods sold, like purchases cost, trade charges etc.

<b>Table No. 23</b>			
<b>Gross Profit and Direct Income</b>			
<b>Year</b>	<b>Sales Income</b>	<b>Gross Profit</b>	<b>Gross Profit to Sales</b>
2012-13	29940.69	1729.94	5.77
2013-14	38712.04	2648.97	6.84
2014-15	33709.36	1586.36	4.70
2015-16	39308	1728.14	4.39
2016-17	42648	2477	5.80
CAGR	9.24	6.1	

Federation maintains a control on direct expenses but the sales income and gross profit do not keep a matching growth rate. CAGR of sales has been recorded 9.24%, but the growth rate in gross profit is much below the sales income.

<b>Table No. 24</b>			
<b>In sufficient Direct Income</b>			
<b>Year</b>	<b>Break –Even Business on Direct Income</b>	<b>Safety Margin</b>	<b>Safety Margin % Margin%</b>
2012-13	31491.583	-1550.89	-5.179882638
2013-14	40006.84	-1294.8	-3.34469624
2014-15	51167.526	-17458.2	-51.79026198
2015-16	53611.95	-14304	-36.38941289
2016-17	46795.892	-4147.89	-9.725878078
CAGR			

Federation could not achieve break even business with their direct income. The failure on this aspect is serious and the capability of the federation to protect the affiliated units will be weakened.

<b>Table No. 25</b>			
<b>Break Even on Total Income</b>			
<b>Year</b>	<b>Break Even Business on Total income</b>	<b>Safety Margin</b>	<b>Safety Margin %</b>
2012-13	21764.629	8841.381	28.88772825
2013-14	27190.35852	12441.8815	31.39333401
2014-15	32877.61662	1732.74338	5.006429814
2015-16	33113.95257	7129.04743	17.71499994
2016-17	26429.47403	17444.296	39.76019378
CAGR	3.9%	14.55	

Marginal cost and total income of federation is comfortable to achieve the break even. The safety margin is also comfortable. The trend of safety margin in the reference period shows that the entity has been facing a swing .The fundamental aspect of stability in operation could not be achieved.

## Return on Capital Employed

Return on capital employed is an indicator and measures the effectiveness of the organization in using the assets for generating margin that includes all expenses except interest and income tax expenses. In other terms, it measures the difference between operational revenue and operating expenses.

Table No. 26			
Year	Capital Employed	EBIT	ROCE
2012-13	2924.93	585.51	20.01791496
2013-14	4722.55	1339	28.35332606
2014-15	12924.55	97.95	0.757860042
2015-16	5998.5	516.39	8.608652163
2016-17	6632.5	342.64	5.16607614
CAGR	17.79	00	00

ROCE of the federation for the last 5 years gives the input for further management control. The state spokesperson of dairy co-operative movement in the could achieve a comfortable percentage only in the initial two years and rest all years it touched the dust. After a long years of existence in the movement federation could not maintain stability in the variables decides the ROCE of the organization.

## Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

An emerging tool which is used in dairy industry to evaluate the organisation's operating performance.

It is a way to evaluate the organisation's performance without having to factor in financing decisions, accounting decisions or tax environments.

<b>Table No. 27</b>			
<b>Year</b>	<b>EBIT</b>	<b>EBITDA</b>	<b>EBITDA Margin</b>
2012-13	473.48	675.74	2.27
2013-14	911.42	1168.76	3.02
2014-15	119.42	549.42	1.63
2015-16	340.14	702.14	1.79
2016-17	1563.1	1779.1	4.17
CAGR			

EBITDA allows the organization to focus on the outcome of operating decisions while excluding the impacts of non-operating decisions like interest expenses, tax rates or large non-cash items like depreciation and amortization. The capability of minimizing the non-operating effects that are unique to each institution especially co-operatives dealing with member's produce. It will measure the attitude of the organization towards its affiliated units. It measures how the federation draws line in between farmer's economic satisfaction and the surplus generation for the insulation of the organization.

An erratic result can be visible in the EBITDA results of federation. In all the years the EBITDA is below 5%. Though there is no standards that has been evolved for the co-operative dairy industry in India but arbitrarily a ratio between 5 to 10% is suggested for performance comparison.

### **Cattle Feed Plant Malampuzha**

The input services are one of the best attractions for the APCOS. The availability of balanced cattle feed will reduce the cost of maintenance and also can reduce the other cost due to the health and infertility problems dairy cows. The cattle feed factory Malampuzha is one of the plants running by Federation to meet the requirement of the farmer's for feeding their dairy cows. The plant was started in the year 1970 with a installed capacity of 60MT per day and gradually capacity has been enhanced to 300 MT per day in the year 2006. At present the factory produces mash & pellet feed and also produces mineral mixture.

Table No. 28							
Year	Break Even Business	Safety margin	Safety Margin in %	Cost of goods Sold	Average invent- tory	Invent-ory Turn Over Ratio	Days in inventory
2013-14	10079.59	5295.16	34.44	14414.5	800.5	18.00	20.27
2014-15	9928.25	1322.31	11.75	10597.5	1192.5	8.88	41.07
2015-16	50150.61	-36830.2	-276.49	13165	1123	11.72	31.13

Factory achieved break even in the initial years but the result of 2015-16 is not better due to poor performance. The safety margin is in swing and going in an unbridled manner. The inventory storage, lead time, EOQ and usage of inventory etc. are not keeping a stable trend. The inventory of the organization used 18 times to produce finished goods and failed to retain the trend in the succeeding year.

The working capital crunch also caused due to poor inventory usage by the plant. The inventory stored for 20 days in the year 2013-14 to be taken for production and it reached up to 41 days in the succeeding year and poor show continue in this function

### **Cattle Feed Plant Pattanakkad**

Plant was established in the year 1985 with an installed capacity of 100 MT per day and the capacity has been enhanced to 300MT per day in the year 1996.

**Table No. 29**

Year	Break Even	Safety Margin	Safety Margin %	Average Stock	Cost of Goods Sold	Net Profit	Accumulated Loss	Days in Inventory	Inventory TOR
2013-14	9985.23	2178.70	17.91	738.5	11442	126	586	23.55	15.49
2014-15	17926.48	-8005.08	-80.68	764.5	9646	-222	908	28.92	12.61
2015-16	-42941.8	54964.87	457.16	749.5	12172	-710	1618	22.47	16.24

Performance of Thuravoor CF plant shall have to improve a lot. Every year accumulated losses are mounting up and achieved Break even business only in the year 2013-14 and the safety margin percent is only 17% which is not strong and amenable to market conditions. The result was immediate the plant run below break- even business immediate succeeding year. A standard inventory management practices has not been evolved by the federation till date. The rate of growth could not be repeated in the reserves and surplus generation.





## CONSOLIDATED ANALYSIS

### Share capital Debt Capital

An analysis into the net-worth and debt equity aspects of Milk Unions is presented below for drawing inputs on capital structure.

Table No. 30					
Sl. No.	Particulars	Name of Organization	Total		
		TRCMPU	ERCMPU	MRCMPU	
1	Share Capital & Net worth	7385	5982.54	13708	27075.54
2	Debt	610	73.51	00	683.51
3	Average interest income	95.33	125.97	403	624.3
4	Borrowing Capacity	110775	89730	205620	406125
<b>Source:-</b> Compiled from annual reports, Audit certificate & memorandum of Milk Unions. Net worth is calculated as per the guide lines of NDDDB, Maximum borrowing capacity of Milk Unions are calculated as per the bye laws , i.e,15 times of net-worth					

The trend in the capital structure of the Unions, vividly indicating that the share capital mobilization from primaries have taken as a tactics for the mobilization of capital by all unions. Share capital is dominating and debt capital is only a paltry amount. The present capital structure make all Unions financially sound and stronger, but the primary co-operatives are not benefitted out of it.

Considering all the above, it is suggested that the unions shall provide more price on per liter to the milk supplied by the member societies with a tag line of 'Milk Incentive' to societies. The contemporary mismatch in the financial health between Union and primaries shall overcome by creating a corpus fund in primaries by using milk incentives endowed by the union and the bonus fund of

non- members etc. The corpus fund which may be created by the primaries shall be used to pay milk incentives to farmers and shall also be used for providing salary support to the employees of the society. Corpus fund generated by the primaries may deposit with their milk union. Milk union shall treat it as a hybrid debt capital at an agreed interest rate.

## **Annexure. 6**

### **Extract from page no 25 & 26 of R Heli Committee Report**

#### **Doorstep AI from all AI centers in the State and resultant improved animal reproductive performance**

The entire network of AI be it the Animal Husbandry Department or private sector or the APCOS has to ensure that the AI is done at the farmers premises. The semen should be shipped in small container BA-7 to the farmer's premises and there only removed, thawed and inseminated. No other method of transportation of semen shall be permitted. Carrying semen in any other means shall be considered wrong and shall be punishable. The farmer shall also be aware of the importance of proper scientific AI method and not be cheated. By doing the AI from small LN2 container kept near the animal, we can ensure that the semen straw is containing the prescribed number of live spermatozoa to effect successful conception. The conception rate will be improved to more than 50%. The lost days will be reduced and the economic returns to the farmers will be improved.

# ANNEXURE 7

## PAY REVISION ORDER



**കേരള സർക്കാർ**  
**സംഗ്രഹം**

കൃഷി (ക്ഷീര വികസന) വകുപ്പ് - കേരള കോ-ഓപ്പറേറ്റീവ് മിൽക്ക് മാർക്കറ്റിംഗ് ഫെഡറേഷനിലേയും (മിൽമ) മേഖലാ യൂണിയനുകളിലേയും ജീവനക്കാരുടെ ശമ്പളം 01.07.2016 പ്രാബല്യത്തിൽ പരിഷ്കരിച്ച് ഉത്തരവാകുന്നു.

### കൃഷി (ക്ഷീരവികസന) വകുപ്പ്

സ.ഉ.(കൈ)നമ്പർ.4/2018/ഡിഡി.

തിരുവനന്തപുരം, തീയതി, 13.04.2018

പരാമർശം:- 1) ജി.ഒ.(എം.എസ്)നം.164/2014/എഡി തീയതി 02.08.2014.

- 2) കേരള കോ-ഓപ്പറേറ്റീവ് മിൽക്ക് മാർക്കറ്റിംഗ് ഫെഡറേഷൻ (മിൽമ) മാനേജിംഗ് ഡയറക്ടറുടെ 08.06.2017 ലെ PER:129/84/5217 നമ്പർ കത്ത്.
- 3) കേരള കോ-ഓപ്പറേറ്റീവ് മിൽക്ക് മാർക്കറ്റിംഗ് ഫെഡറേഷൻ (മിൽമ) മാനേജിംഗ് ഡയറക്ടറുടെ 12.09.2017 തീയതിയിലെ PER:129/84/6252 നമ്പർ കത്ത്.
- 4) കേരള സഹകരണ ക്ഷീരവിപണന ഫെഡറേഷൻ ചെയർമാന്റെ 03.04.2018 തീയതിയിലെ കത്ത്.

### ഉത്തരവ്

മിൽമയിലെയും മേഖലാ സഹകരണ ക്ഷീരോല്പാദക യൂണിയനുകളിലെയും ജീവനക്കാരുടെ ശമ്പളം അഞ്ച് വർഷത്തിലൊരിക്കലാണ് പരിഷ്കരിക്കുന്നതെന്നും നിലവിലെ ശമ്പള പരിഷ്കരണ കരാറിന്റെ കാലാവധി 30.06.2016 ന് അവസാനിച്ചതായും പുതിയ ശമ്പള പരിഷ്കരണം 01.07.2016 മുതൽ കുടിശികയാണെന്നും മിൽമ മാനേജിംഗ് ഡയറക്ടർ പരാമർശം(2) കത്ത് വഴി അറിയിച്ചിട്ടുണ്ട്. ശമ്പള പരിഷ്കരണം തീരുമാനമാക്കുന്നതിനായി ഫെഡറേഷൻ തലത്തിൽ നിരവധി തവണ യോഗങ്ങൾ ചേരുകയുണ്ടായെങ്കിലും മാനേജ്മെന്റിനും ട്രേഡ് യൂണിയനുകൾക്കും തമ്മിൽ ധാരണയിലെത്താൻ കഴിഞ്ഞില്ല. അഡീഷണൽ ലേബർ കമ്മീഷണറുടെ സാന്നിധ്യത്തിൽ എല്ലാ അംഗീകൃത ട്രേഡ് യൂണിയൻ പ്രതിനിധികളെയും ഉൾപ്പെടുത്തി 08.05.2017 ന് യോഗം ചേരുകയും ശമ്പള പരിഷ്കരണത്തെ സംബന്ധിച്ച ദീർഘകാല കരാറിന് രൂപം നൽകുകയും ചെയ്തു.

07.06.17 ൽ ചേർന്ന മിൽമയുടെ 293-ാം ഡയറക്ടർ ബോർഡ് യോഗം വിശദമായ ചർച്ചകൾക്ക് ശേഷം ശമ്പളം പരിഷ്കരിക്കുന്നത് സംബന്ധിച്ചുള്ള ദീർഘകാല കരാർ അംഗീകരിക്കുകയുണ്ടായി. ഓഫീസേഴ്സ് അസോസിയേഷനുമായി എത്തിച്ചേർന്ന ധാരണയെ തുടർന്ന് ശമ്പള പരിഷ്കരണത്തിലെ അന്തിമ വ്യവസ്ഥകളും ബോർഡ് അംഗീകരിക്കുകയുണ്ടായി. സർക്കാരിൽ നിന്നും അനുമതി നേടിയ ശേഷം 01.07.2016 പ്രാബല്യത്തിൽ ശമ്പളം പരിഷ്കരിക്കാമെന്ന് ഡയറക്ടർ ബോർഡ് തീരുമാനിക്കുകയുണ്ടായി.

നിലവിലെ കരാർ കാലാവധി കഴിഞ്ഞ് 11 മാസങ്ങൾക്ക് ശേഷമാണ് പുതിയ ശമ്പള പരിഷ്കരണ കരാർ നടപ്പാക്കുന്നതെന്നും മിൽമയിലെയും മേഖലാ യൂണിയനുകളിലെയും ജീവനക്കാരുടെ ശമ്പളം പരിഷ്കരിക്കുന്നത് ഫെഡറേഷന്റെ/ മേഖലാ യൂണിയനുകളുടെ തനത് ഫണ്ട് ഉപയോഗിച്ചാണെന്നും ഇതിൽ സർക്കാരിന് യാതൊരുവിധ സാമ്പത്തിക ബാധ്യത ഉണ്ടാവില്ലെന്നും ഈ ശമ്പള പരിഷ്കരണം നടപ്പിലാക്കുന്നതിനുള്ള സാമ്പത്തിക ഭദ്രത സ്ഥാപനങ്ങൾക്ക് ഉണ്ടെന്നും മിൽമ മാനേജിംഗ് ഡയറക്ടർ വ്യക്തമാക്കിയിട്ടുണ്ട്.

മിൽമ സമർപ്പിച്ച ശമ്പള പരിഷ്കരണ ശുപാർശ അംഗീകരിക്കണമെന്നും 01.07.2016 മുതൽ ശമ്പളം പരിഷ്കരിക്കുവാൻ അനുമതി നൽകണമെന്നും മിൽമ മാനേജിംഗ് ഡയറക്ടർ സർക്കാരിനോട് പരാമർശം (2), (3)കത്തുകൾ പ്രകാരം അഭ്യർത്ഥിച്ചിട്ടുണ്ട്. മിൽമ ചെയർമാനും ത്രികക്ഷി കരാർ പ്രകാരമുള്ള ശമ്പള പരിഷ്കരണത്തിന് എത്രയും വേഗം അംഗീകാരം നൽകണമെന്ന് പരാമർശം (4) പ്രകാരം അഭ്യർത്ഥിച്ചിട്ടുണ്ട്.

ട്രേഡ് യൂണിയൻ പ്രതിനിധികളുമായി സർക്കാർ 23.01.2018, 21.02.2018, 03.04.2018 എന്നീ തീയതികളിൽ ചർച്ച നടത്തുകയുണ്ടായി. മാനേജ്മെന്റും തൊഴിലാളികളും ലേബർ കമ്മീഷണറുമായി ഉണ്ടാക്കിയ ത്രികക്ഷി കരാറിന്റെ അടിസ്ഥാനത്തിലുള്ള ശമ്പള പരിഷ്കരണം വൈകുന്നതിൽ ട്രേഡ് യൂണിയൻ പ്രതിനിധികൾ ആശങ്ക അറിയിക്കുകയുണ്ടായി.

മിൽമ ജീവനക്കാരുടെ ശമ്പളം പരിഷ്കരിക്കുന്നത് സംബന്ധിച്ച ശുപാർശ സർക്കാർ വിശദമായി പരിശോധിച്ചു. കേരള കോ-ഓപ്പറേറ്റീവ് മിൽക്ക് മാർക്കറ്റിംഗ് ഫെഡറേഷനിലെയും (മിൽമ) മേഖല യൂണിയനുകളിലെയും ജീവനക്കാരുടെ ശമ്പളം 01.07.2016 പ്രാബല്യത്തിൽ പരിഷ്കരിച്ചു നടപ്പിലാക്കുന്നതിന് താഴെ പറയുന്ന നിബന്ധനകളോടെ കേരള സഹകരണ നിയമവും ചട്ടങ്ങളും (ചട്ടം 189(1)) പ്രകാരം അനുമതി നൽകി ഇതിനാൽ ഉത്തരവാകുന്നു. 01.07.2016 മുതൽ ഏറ്റവും കുറഞ്ഞത് അഞ്ച് വർഷത്തേക്കോ സർക്കാർ ഇക്കാര്യത്തിൽ ഭേദഗതി വരുത്തുന്നത് വരേക്കോ ആയിരിക്കും ഈ ശമ്പള പരിഷ്കരണത്തിന് പ്രാബല്യം ഉണ്ടായിരിക്കുക.

സർക്കാർ അംഗീകരിച്ചിട്ടുള്ള സ്റ്റാഫ് പാറ്റേൺ പ്രകാരമല്ലാതെ ഒരു അധിക തസ്തികയും ശമ്പളവും മറ്റ് ആനുകൂല്യങ്ങളും നൽകുന്നതിന് ഈ ഉത്തരവിൽ വ്യവസ്ഥയില്ല. കേരള സഹകരണ ക്ഷീര വീപണന ഫെഡറേഷൻ ശമ്പള പരിഷ്കരണ ഉത്തരവ് ഇറക്കുമ്പോൾ ഫെഡറേഷനിലെയും മേഖല യൂണിയനുകളിലെയും അനുവദിക്കപ്പെടാത്ത നിലവിലുള്ളതുമായ തസ്തികകളുടെ എണ്ണം കൃത്യമായി രേഖപ്പെടുത്തേണ്ടതും പ്രസ്തുത തസ്തികകൾക്ക് അനുവദിക്കപ്പെട്ട ശമ്പള സ്കെയിലുകൾ വ്യക്തമാക്കിയിരിക്കേണ്ടതുമാണ്. സർക്കാർ മുൻകൂർ അനുമതി നൽകാത്ത ഒരു തരത്തിലുള്ള ആനുകൂല്യങ്ങളും നൽകാൻ പാടുള്ളതല്ല.

വരുംകാല ശമ്പള പരിഷ്കരണങ്ങളും സർക്കാർ അംഗീകാരത്തോടെ മാത്രമേ നടപ്പിലാക്കാൻ പാടുള്ളൂ. ഈ ഉത്തരവിലെ വ്യവസ്ഥകൾക്ക് അനുസൃതമായി ശമ്പള പരിഷ്കരണം നടപ്പിലാക്കിയ ശേഷം ഇത് സംബന്ധിച്ച വിശദമായ റിപ്പോർട്ട് ആറ് മാസത്തിനുള്ളിൽ സർക്കാരിൽ ലഭ്യമാക്കേണ്ടതാണ്.

കേരള കോ-ഓപ്പറേറ്റീവ് മിൽക്ക് മാർക്കറ്റിംഗ് ഫെഡറേഷനിലെയും (മിൽമ) മേഖല സഹകരണ ക്ഷീരോൽപ്പാദക യൂണിയനുകളിലെയും ജീവനക്കാർക്ക് 01.07.2016 മുതൽ നടപ്പിലാക്കേണ്ട ശമ്പള പരിഷ്കരണത്തിന്റെ ഘടനയും വിശദാംശങ്ങളും ചുവടെ ചേർത്തിരിക്കുന്നു.

## 1. MASTER SCALE & SCALE OF PAY

### a. Master Scale:

Existing	Revised
8500-255-9520-290-10100-305-10405-315-11350-345-12385-375-12760-385-14300-430-17740-535-18810-565-21070-635-24880-750-29380-885-32035-965-36860-1110-42410-1250-47410-1380-54310-1500-61810-1680-70210-1880-79610	16500-495-18480-555-19590-590-20180-610-22010-665-24005-725-24730-745-27710-835-34390-1035-36460-1095-40840-1230-48220-1450-56920-1710-62050-1865-71375-2100-81875-2330-91195-2500-103695-2750-117445-3000-132445-3300-148945



## **2. FITMENT NORMS**

### **a. Merger of Dearness Allowance**

80% of the DA will be merged with Basic Pay as on date of change over to the revised scale for arriving at the revised rates of pay. After merger of 80% of the DA, the D.A. as on 01.07.2016 will be 12% of the basic pay and subsequent D.A. as per the Government of Kerala notification will be allowed as approved by the Board of Management of KCMF.

### **b. Fitment Allowance**

Fitment allowance in the pre-revised basic pay as on date of change over to the revised scale, as detailed below will be allowed for those who were in permanent service in Milma as on 30.06.2016.

1. For Basic pay up to Rs.43,500/-	}	12.5% (subject to a minimum of Rs.2,000/-)
2. For Basic pay from Rs.43,501/- to Rs.65,000/-		10.5% (subject to a minimum of Rs.5,437.50)
3. For Basic pay above Rs.65,000/-	}	8.5 % (subject to a minimum of Rs.6,825/-)

### **c. Service Weightage**

For each completed year of service as on 30.06.2016, 0.65% (Zero point six five percentage) of the pre-revised basic pay on the date of change over to the revised scale, will be allowed as Service weightage, subject to a maximum of 30 (thirty) years of service.

### **d. Ceiling for Fitment allowance and Service Weightage**

The total benefit of Fitment Allowance and Service Weightage shall be subject to maximum of Rs.14,000/- (Rupees Fourteen Thousand Only).

### **e. Eligibility for Fitment Allowance & Service Weightage**

The employees who joined after 30.06.2016 will not be eligible for fitment allowance/service weightage and they will be entitled only for the corresponding revised scale of pay.

## **3. OPTION**

Employees can exercise their option to come over to the revised scale of pay within six months from 01.07.2016. While exercising the option, the basic pay as on the date of option and DA as on 01.07.2016 shall be reckoned for the computation.

## **4. FIXATION OF PAY IN THE REVISED SCALE.**

- 4.1 Existing scale of pay for the purpose of these rules is the scale of pay immediately prior to 01.07.2016 or date of option.
- 4.2 Existing emoluments for the purpose shall be the total of:
  - a. Basic pay in the existing scales as on the date of change over to the revised scale including the increments, if any, accruing on such date in the existing scale. Stagnation increments shall also be reckoned for this.

**b. Time Scale within the Master Scale:**

Scale Name	Existing	Revised
SO-1	8500-255-9520-290-10100-305-10405-315-11350-345-12385-375-12760-385-14300-430-17740-535-18810-565-19940	16500-495-18480-555-19590-590-20180-610-22010-665-24005-725-24730-745-27710-835-34390-1035-36460-1095-38650
SO-2	9520-290-10100-305-10405-315-11350-345-12385-375-12760-385-14300-430-17740-535-18810-565-21070-635-22340	18480-555-19590-590-20180-610-22010-665-24005-725-24730-745-27710-835-34390-1035-36460-1095-40840-1230-43300
SO-3	10100-305-10405-315-11350-345-12385-375-12760-385-14300-430-17740-535-18810-565-21070-635-23610	19590-590-20180-610-22010-665-24005-725-24730-745-27710-835-34390-1035-36460-1095-40840-1230-45760
SO-4	10405-315-11350-345-12385-375-12760-385-14300-430-17740-535-18810-565-21070-635-24245	20180-610-22010-665-24005-725-24730-745-27710-835-34390-1035-36460-1095-40840-1230-46990
SO-5	11350-345-12385-375-12760-385-14300-430-17740-535-18810-565-21070-635-24880-750-26380	22010-665-24005-725-24730-745-27710-835-34390-1035-36460-1095-40840-1230-48220-1450-51120
SO-6	12385-375-12760-385-14300-430-17740-535-18810-565-21070-635-24880-750-28630	24005-725-24730-745-27710-835-34390-1035-36460-1095-40840-1230-48220-1450-55470
SO-7	12760-385-14300-430-17740-535-18810-565-21070-635-24880-750-29380	24730-745-27710-835-34390-1035-36460-1095-40840-1230-48220-1450-56920
SO-8	14300-430-17740-535-18810-565-21070-635-24880-750-29380-885-32035-965-33000	27710-835-34390-1035-36460-1095-40840-1230-48220-1450-56920-1710-62050-1865-63915

SR-1	18810-565-21070-635-24880-750-29380-885-32035-965-36860-1110-37970	36460-1095-40840-1230-48220-1450-56920-1710-62050-1865-71375-2100-73475
SR-2	21070-635-24880-750-29380-885-32035-965-36860-1110-42410	40840-1230-48220-1450-56920-1710-62050-1865-71375-2100-81875
SR-3	24880-750-29380-885-32035-965-36860-1110-42410-1250-47410-1380-50170	48220-1450-56920-1710-62050-1865-71375-2100-81875-2330-91195-2500-96195
SR-4	31150-885-32035-965-36860-1110-42410-1250-47410-1380-54310-1500-61810-1680-65170	60340-1710-62050-1865-71375-2100-81875-2330-91195-2500-103695-2750-117445-3000-123445
SR-5	36860-1110-42410-1250-47410-1380-54310-1500-61810-1680-70210-1880-75850	71375-2100-81875-2330-91195-2500-103695-2750-117445-3000-132445-3300-142345
SR-6	42410-1250-47410-1380-54310-1500-61810-1680-70210-1880-79610	81875-2330-91195-2500-103695-2750-117445-3000-132445-3300-148945
SR-7	47410-1380-54310-1500-61810-1680-70210-1880-79610	91195-2500-103695-2750-117445-3000-132445-3300-148945



- b. Personal pay, if any, not specifically ordered to be absorbed in future increase of pay.
  - c. Dearness Allowance admissible at the rate of 80% on such pay vide (a) and (b) above.
- 4.3 To the existing emoluments computed above, fitment allowance as specified in 2(b) above shall be added as a % of pay in 4.2 (a) and (b) above, and service weightage equivalent to 0.65% of pay in 4.2 (a) and (b) above shall be added for each completed year of service subject to a maximum of 30 completed years.

The amount so arrived at under Rule 4.3 above shall be fitted in the appropriate stage in the revised scale of pay to arrive the revised basic. If the total of the same is less than the minimum of the revised scale, pay will be fixed at the minimum of the revised scale. Similarly, if the amount arrived at is higher than the maximum of the revised scale, pay will be fixed at the maximum of the revised scale and the difference will be treated as personal pay and it will not be absorbed in future increase in pay on account of granting increments. This Personal Pay will count for all purposes viz fixation of pay, calculation of leave salary & drawal of allowance. However, provision for stagnation increment as stipulated in clause 7 of this Annexure will be applicable.

#### **5. HOUSE RENT ALLOWANCE**

House Rent Allowance shall be allowed @ 10% of the revised Basic pay subject to a maximum of Rs.4,750/- (Rupees Four Thousand Seven Hundred and Fifty Only).

#### **6. PERIOD OF AGREEMENT**

The period of settlement shall be 5 (Five) years with effect from 01.07.2016 i.e. up to 30.06.2021.

#### **7. STAGNATION**

Those employees who stagnate at the maximum of the scale of pay attached to their post or grade will be allowed to draw increments, subject to satisfaction of other eligibility conditions, at the same rate of increment last drawn in the scale of pay subject to a maximum of five increments-first four increments being annual and the fifth biennial.

#### **8. FRINGE BENEFITS**

##### **a. UNIFORMS (For employees covered under Standing Orders)**

An amount of Rs.1,200/- (Rupees One Thousand Two Hundred Only) per year shall be paid as stitching charges to male employees and also for female employees who opt for churidar to stitch two sets of uniform and Rs.250/- (Rupees Two Hundred and Fifty Only) per year to female employees who opt for sarees for stitching two blouses to those who are entitled for uniforms.

##### **b. WASHING ALLOWANCE (For employees covered under Standing Orders)**

Washing allowance @ Rs.300/- (Rupees Three Hundred Only) per month shall be paid to those employees who are eligible for the uniforms.

##### **c. FOOT WEAR ALLOWANCE (For employees covered under Standing Orders)**

Footwear allowance of Rs.500/- (Rupees Five Hundred Only) per year shall be paid to those employees who are eligible for uniforms.

d. **NIGHT SHIFT ALLOWANCE (For employees covered under Standing Orders & Staff Regulations)**

Night shift allowance shall be paid to those employees who are attending night shifts as follows.

16.00 to 24.00 hrs - Rs.30/- (Rupees Thirty Only)/shift

24.00 to 08.00 hrs - Rs.35/- (Rupees Thirty Five Only)/shift

e. **CASH HANDLING ALLOWANCE (For employees covered under Standing Orders)**

Cash handling allowance of Rs.250/- (Rupees Two Hundred and Fifty Only) per month shall be paid to all who are handling an amount of Rs.2.5 lakhs or more per month regularly in a unit. The office attender engaged for Bank duty shall be paid the cash handling allowance of Rs.150/- (Rupees One Hundred and Fifty Only) per month.

f. **PHOTOCOPIER HANDLING ALLOWANCE (For employees covered under Standing Orders)**

An amount of Rs.200/- (Rupees Two Hundred Only) per month shall be paid to one employee in a unit for operating the Photocopier.

g. **MEDICAL ALLOWANCE (For employees covered under Standing Orders & Staff Regulations)**

An amount of Rs.250/- (Rupees Two Hundred and Fifty Only) per month shall be paid as Medical allowance to those employees who are not covered under ESI scheme and who do not opt for the Medical Insurance Scheme arranged by the company.

h. **HILL TRACT ALLOWANCE (For employees covered under Standing Orders & Staff Regulations)**

Hill Tract allowance will be allowed to employees working in high ranges on par with the existing rates in Govt. The conditions for sanction of the allowance will continue to be the same.

i. **SPECIAL ALLOWANCE TO DIFFERENTIALLY ABLED (For employees covered under Standing Orders & Staff Regulations)**

Special Allowance to Differentially Abled will be allowed on par with the existing rates in Govt. The conditions for sanction of the allowance will continue to be the same.

j. **ACID HANDLING ALLOWANCE (For employees covered under Standing Orders)**

An amount Rs.100/- (Rupees One Hundred Only) per month shall be paid to all Veterinary Attenders who are handling acid regularly.

k. **SPECTACLE ALLOWANCE (For employees covered under Standing Orders)**

An amount of Rs.600/- (Rupees Six Hundred only) shall be paid to those employees who purchase spectacles and the amount will be paid only once in service. However, those who were already paid for the same shall not be eligible for any further payment on account of this clause.

**l. ALLOWANCE FOR PLANT OPERATORS (For employees covered under Standing Orders)**

Plant Operators who are working in the Dairy processing Plant will be given Rs.600/- (Rupees Six Hundred Only) per month as risk allowance provided they are on duty for at least 10 (ten) days during the month. Otherwise proportionate amount will be paid.

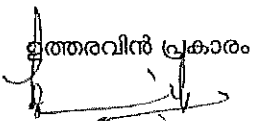
**m. INTEREST SUBSIDY FOR HOUSING LOAN (For employees covered under Standing Orders & Staff Regulations)**

Interest subsidy of 1% will be allowed to the house building loan upto Rs.5.00 lakhs (Rupees Five Lakhs Only), taken from approved banks/financial institutions for a single loan taken in the entire service period of employee.

(ഗവർണ്ണറുടെ ഉത്തരവിൻ പ്രകാരം)  
അതിൽ എക്സ്.  
സെക്രട്ടറി.

1. മാനേജിംഗ് ഡയറക്ടർ, കേരള കോ-ഓപ്പറേറ്റീവ് മിൽക്ക് മാർക്കറ്റിംഗ് ഫെഡറേഷൻ (മിൽമ), തിരുവനന്തപുരം.
2. മാനേജിംഗ് ഡയറക്ടർ, തിരുവനന്തപുരം മേഖല കോ-ഓപ്പറേറ്റീവ് മിൽക്ക് പ്രൊഡ്യൂസേഴ്സ് യൂണിയൻ, തിരുവനന്തപുരം.
3. മാനേജിംഗ് ഡയറക്ടർ, എറണാകുളം മേഖല കോ-ഓപ്പറേറ്റീവ് മിൽക്ക് പ്രൊഡ്യൂസേഴ്സ് യൂണിയൻ, എറണാകുളം.
4. മാനേജിംഗ് ഡയറക്ടർ, മലബാർ മേഖല കോ-ഓപ്പറേറ്റീവ് മിൽക്ക് പ്രൊഡ്യൂസേഴ്സ് യൂണിയൻ, കോഴിക്കോട്.
5. ഡയറക്ടർ, ക്ഷീരവികസനവകുപ്പ്, തിരുവനന്തപുരം
6. ലേബർ കമ്മീഷണർ,
7. പ്രിൻസിപ്പൽ അക്കൗണ്ടന്റ് ജനറൽ (എ & ഇ) കേരള, തിരുവനന്തപുരം.
8. പ്രിൻസിപ്പൽ അക്കൗണ്ടന്റ് ജനറൽ (ആഡിറ്റ്) കേരള, തിരുവനന്തപുരം.
9. ധനകാര്യ വകുപ്പ് (യു.ഒ.നം E No. 530509/Agri-B2/181/2017-FIN)
10. പൊതുഭരണ (എസ്.സി) വകുപ്പ് (യു.ഒ.നം.2082/2018/GA(SC) Dept.)
11. പ്രസിഡന്റ് / ജനറൽ സെക്രട്ടറി, ആൾ കേരള മിൽമ എംപ്ലോയീസ് ഫെഡറേഷൻ (INTUC)
12. പ്രസിഡന്റ് / ജനറൽ സെക്രട്ടറി, കേരള കോ-ഓപ്പറേറ്റീവ് മിൽക്ക് മാർക്കറ്റിംഗ് എംപ്ലോയ്മെന്റ് ഫെഡറേഷൻ (CITU)
13. പ്രസിഡന്റ് / ജനറൽ സെക്രട്ടറി, മിൽമ വർക്കേഴ്സ് യൂണിയൻ (AITUC)
14. വിവര പൊതുജന സമ്പർക്ക വകുപ്പ് (സർക്കാർ ഉത്തരവ് വെബ്സൈറ്റിൽ പ്രസിദ്ധീകരിക്കുന്നതിനായി)
15. കരുതൽ ഫയൽ/ ഓഫീസ് കോപ്പി.

മിൽമ  
വഴി

ഉത്തരവിൻ പ്രകാരം  
  
സെക്ഷൻ ഓഫീസർ.

- പകർപ്പ് : 1. ബഹു.ക്ഷീരവികസന വകുപ്പുമന്ത്രിയുടെ പി.എസ്.  
2. ബഹു.തൊഴിൽ വകുപ്പുമന്ത്രിയുടെ പി.എസ്.  
3. ക്ഷീരവികസന സെക്രട്ടറിയുടെ പി.എ.  
4. ക്ഷീരവികസന അഡീഷണൽ സെക്രട്ടറിയുടെ സി.എ

## **ANNEXURE - 8**

### **Extract from the Report on Agricultural Development Policy in Kerala. Submitted to Government by the Committee Headed by shri K. Krishnankutty MLA, 2015.**

#### **All the livestock farmers of the state should be provided with 24 hour Veterinary Emergency Assistance Service**

. It was estimated that about Rs. 0.5 lakhs is being spent for the production of a high yielding cross bred cow in Kerala. There are instances where the animal or its productivity is lost due the absence of access to veterinary services in time during some critical situations such as difficulty in parturition, mastitis, mineral deficiencies, prolapse of uterus, poisoning etc. It was also found that about Rs. 500 crores is being lost annually due to the difficulty in access to veterinary services in the off hours during these critical situations.

In order to eliminate this huge loss and to protect the farmers' interests, emergency veterinary services on round the clock basis to be provided with the active cooperation of the concerned Local Self Government institutions and the Department of Animal Husbandry.

Mobile Veterinary Clinics may be established in needy places based on animal population to cater to the need for emergency veterinary care. The Government should formulate Veterinary Emergency Assistance Programme (VEAP) at the earliest. The required infrastructure with professional staff may be created and put in place. It is very essential to assure the farmer that his valuable animal will be provided with all the required veterinary health care in case of clinical emergency at his doorstep

**The farmers of Kerala are to be provided with yield and sex assured animals as a result of the cross breeding Programme.**

Assuring a female calf by the cross breeding was a consistent demand from the farmers of Kerala over years. It would be much more effective if they can be provided with yield assured offspring from the cross breeding programmes.

Agricultural Development Policy

There are improved technologies in all the developed countries for assuring the yield of offspring as a result of the genomic selection programmes for ‘Bull Evaluation’ and production of sexed semen. It is possible to assure the farmers the sex of the offspring and its expected yield. This would surely add momentum to the genetic stock improvement

Kerala is the only state in the country having a structured, operational, self sustainable breeding policy for cross breeding of animals. At present the document is being reviewed every 4 years with the active consultation of the stake holders including farmers.

The animal per day average production has reached 9.02 liters, which is well above the national average. But even after 40 years of operation the outcome is not satisfactory. Hence it can be the accepted policy of the state and have a review every 4 years with department of Animal Husbandry as the custodian of the policy and others like Kerala Veterinary and Animal Sciences University (KVASU), Dairy Development Department, Kerala Livestock Development Board (KLDB), Kerala Cooperative Milk Marketing Federation (KCMMF) and Livestock Farmers as the major stake holders

Since Kerala is in a commanding position in cross breeding in India it is high time to introduce yield guaranteed sexed semen to achieve a state average production of 15 litres of milk per day and 36 lakh Mt by 2025 and this should

be adopted as a policy.

Separate breeding policy should be created and adopted for other food animals like goat, pig and rabbit. The primary objective should be breed conservation, refinement and improvement.

**The farmers of the State may be allowed to rear indigenous and accepted breeds of cattle for conservation purpose with guidelines from the Department of Animal Husbandry**

The State has an accepted and defined breed of local or indigenous cattle 'VECHUR' that can be conserved and a farmer willing to rear the same can be allowed to continue rearing them. The breeds of cattle should be approved by National Bureau of Animal Genetic Resources

State should initiate steps to identify, characterize, define and conserve other native breeds of cattle

**The farmers of the state are to be assured with one calf per year per animal.**  
**Agricultural Development Policy**

Cross bred animals are prone to temporary infertility and 99% of these types of cases can be treated and cured. It is estimated that about Rs. 200 crores per annum is lost due to the infertility of cattle in Kerala. Infertility of bovine is a major problem affecting the farmer's income in a state like Kerala where the animal rearing is playing dual role of income generation and milk production. The present estimates shows that as an average one animal losing one month due to infertility will cause a loss of Rs 8000/ per annum due to loss of production and unproductive feed consumption.

When the animal is found infertile, the farmer will resort to distress sale of his cross bred high producing animal which leads to the loss of germplasm and reduction in the number of high yielding cross bred animals

Hence a comprehensive fertility management policy for bovines must be put in place. There should be early detection of infertility, treating them with necessary medicines/ drugs/ supplements at free of cost to the farmer. The department of Animal Husbandry should take up modern scientific methods and tools to diagnose and correct such situation thus minimizing loss to farmers. Such activities should be a part of the plan allocation every year in the department

**Fodder cultivation would be promoted on a mission mode on a commercial scale to ensure its availability to the farmers at affordable cost.**

The land devoted for fodder cultivation in Kerala is very negligible—only 1% of the cultivable area or 5,395 ha (Government of Kerala, 2011). It is estimated that out of the requirement of 23.2 million (M) t of fodder, only 5.1 M t is produced in Kerala. The only immediate opportunity is to increase productivity per unit area. Raising fodder as an intercrop within existing crop systems can be a common solution to this problem. Though feed and fodder is one of the most important contributing factors for the growth of livestock sector, development of this sector has not received the required level of focus in the past. It is estimated that the 60- 70% of total cost in livestock production is due to feed and fodder. Any attempt towards enhancing feed availability and economizing the feed cost would result in increased margin of profits to livestock owners

Fodder production on commercial basis does not exist in the state in spite of huge demand. At present the requirement of fodder is being met by dry fodder/ straw import from other states apart from domestic production. But there is ample scope for fodder production with all the existing constraints i.e. lack of land and other inputs. Fodder cultivation on barren land, cultivable fallow land, lease land, any strip of land that can be used for fodder production and intercropping with any other type of crop especially coconut plantation must be encouraged. Along with assisting an individual, an area based approach has to



be adopted, create cluster or group for the purpose in the area, assist them with capital and other resources, produce and market them in needy areas by levying a reasonable profit.

The APCOS and Milk societies should make it as a mandate and make green and dry fodder available for the dairy farmers of the area. NGOS, and SHGS can also play a very active role in this activity. This will enhance fodder production, income generation, and employment and arrest lands lying uncultivated. For lease land farming necessary safeguards should be evolved to assure the landowner that under no circumstances the land will be forfeited /lost. The safe method is to put in a leasing mechanism that will expire automatically after a fixed tenure. The lease deed must be signed between the Govt. Official in his official capacity and land owner. Once this assurance can be guaranteed more and more land will be available for fodder production.

Fodder banks must be created in every Panchayath by utilizing barren land for cultivation and storing them in fresh season as silage or fodder blocks to meet the requirement during lean season. Non consuming producers can be encouraged on commercial scale with financial incentives so that fodder will be available for the needy at affordable cost.

**Portable milking machines should be provided to milkers and farmers for the production of better quality milk in a shorter period and preventing the spread of contagious and managerial diseases.**

The milking machine is a nearly automatic machine installation for milking cows. There are two methods of milking a cow: by hand or using a milking machine. When milking a cow, hands may become contaminated with mastitis-causing pathogens. Mastitis is an infection of the breast that can cause pain, swelling, and redness, and makes the milk from the cow unfit to consume.

Milking Machines are extensively in demanded by various dairy farms across the state. Portable Milking Machine Systems are provided with single Milking Machine & double bucket Milking Machines. Small and Medium Dairy Farms can avail these machines in different patterns and specifications to cater to the varied needs of dairy Industry. These Milking Machines help in extraction of milk more effectively

**Automatic drinkers are to be established in each and every farm for ensuring production and improving animal health-cow comfort**

Dehydration or inadequate water consumption in dairy cows or cows with calves reduces milk production. Overall health is also affected by improper water intake.

Cattle that are healthy as a result of good nutrition and proper water consumption tend to avoid disease and sickness. Proper minerals and proper amount of water consumption are required for a healthy immune system. The ability for cattle to absorb minerals and nutrients is greatly enhanced with proper water intake. Sickness and disease are avoided with good water nutrition. Without adequate water levels in the body, cattle are at a disadvantage in just about every way. With the introduction of automatic drinkers the State's top mission is to help the farmers to keep the cattle's water consumption at proper levels which in turn adds their income and reduce the risks.

The rubberised floor mat is particularly advantageous in areas where cows spend most of the time, because it reduces the pressure on the hooves and legs. The floor mats have a slipresistant surface and that provides a rough great friction as a function of movement, provide maximum traction facilitating greatly the movement of cows in the shed. Studies and tests have shown in fact that cows walk faster and slip much less on the rubber floor. 70% of cows walking on concrete floor glide at least slip once, but only 20% slip when walking on the rubber mats.

The rubber mats ensure a drier and cleaner environment for hygiene optimum improves the condition of the hooves and reduces the incidence of mastitis and is easy to install anywhere. The rubber mats, even more than the technical characteristics and peculiarities, practices recognized by farmers met, showed a significant reduction in accidents and veterinary costs.

**The dairy cooperatives and Departments of the Government related to dairy development have to plan programmes to attract youth and sustain the present farmers towards dairy farming and dairy based enterprises**

Now after 30 years the scenario of dairying is changing. Medium and small units are getting a foothold in the sector. The days of single cow or two cow unit are vanishing gradually and medium units with 10-20 cows are taking the space. Hence instead of viewing large unit as more profit making unit, considering their contribution, adequate assistance as incentives should be allocated for such units. They will have a sizable contribution to the sector in terms of production and employment generation especially in the case of youths. But the micro unit should be continued with the maximum assistance that will help to generate livelihood for the farmer. All these are aimed at increasing farmer income, employment generation, livelihood support and increased production. Proper checks and balance have to be put in place to prevent exploitations and environmental degradation while allowing assistance.

When very large enterprises with high end commercial motives are established by the private sector, assistances from the Government in the form of money shall be restricted at its maximum but assuring all the technical support and guidance from the concerned Departments for the establishment.

**Financial assistance for feeding is necessary to bring down the cost of production and improving the profit of the farmers**

Dairying in Kerala is 75 % under intensive system and 25 % under semi intensive system. Intensive system requires the entire feeding expenses like concentrate and roughage to be fed to the animal by the owner. This in turn constitutes to 80% of the cost of production. Spiralling cost of concentrates is a matter of major concern for the farmer. The cost of the same was hiked by 35 % recently and without proportional increase is the procurement cost of milk. This has reduced the already narrow gap between cost of production and procurement resulting in low profitability. The matter should be urgently addressed by evolving a mechanism to subsidize the cost of concentrate by making available the concentrate feed through rationing apparatus. The quantity due for a farmer can be decided based on the number of heads of cattle he rears or the volume of production he contributes. There can be cap on the total subsidy a farmer can be entitled in this regard for year. The amount of subsidy thus applicable for a farmer can be transferred to his/ her Bank Account through e-payment

**The potential for milk purchasers to misrepresent the quality of the milk and cheat farmers out of a fair price would be eliminated by the introduction of the Automatic Milk Collection System.**

The Automatic Milk Collection System provides several advantages over the traditional manual method which was time taking and due to that the milk got spoiled. The Automatic Milk Collection System speeds up the entire process, thereby reducing the spoilage of milk. Wait time for the farmers decreases from 45 to 10 minutes. Automation of the measurements eliminates the potential for milk purchasers to misrepresent the quality of the milk and cheat farmers out of a fair price. The automated system is more transparent and minimizes the role of the collection agent, reducing the likelihood of mistakes or fraud. Far from just having economic consequences, automation gives freedom to the farmers from the burden of having to fear cheating or corruption in their daily business

dealings. Physical transparency and simplicity of the process are the keys to the success of such an endeavour.

Automated system makes entire milk collection process automated. Right from weighing and measuring the fat of the milk to make payments to the farmer and generate analytical reports. All the steps are taken care of in the solution.

Kerala produces about 78 lakh liters of milk a day. Of this about 20% is being collected or procured by Milma and rest is marketed as local sales and as domestic consumption. A dynamic market and transparent transaction will drive the growth of the sector as this will attract more investments and production. The discontent perceived mainly lies with the measure and quality assessment of milk which leads to pricing. More transparency is being expected by the farmer in these transactions. Hence Automatic Milk Collection Units are more an answer than an increased liability. This will analyze the milk for its quality and will fix the price automatically without any favor or otherwise. The farmer can have the quality and price fixed immediately and can calculate the value of his produce immediately. Technologies have reached a stage where the money due for a farmer will be automatically deposit the money in the bank of his choice

**Since the farm sector aims at food security of the state, there must be an immediate end to the “division” of people on the lines of below poverty line (BPL) and above poverty line (APL) for receiving the financial assistances in the Animal Husbandry sector.**

Production of any commodity whether produced by APL/BPL category is going to be pooled with the main pool to assess the production increase. Hence the mere reason that APL individual has more resources, the production need not be viewed as different from that of BPL individual and equal opportunities need be allowed to all participating in the process. One restriction that can be put in

place is that no BPL applicant should be left out before selecting an individual from the APL category. This is to ensure that all BPL are included in the fold and adequately assisted. No change in rate for two different categories of farmers.

**Pricing of milk is to be done in a more scientific manner that the farmers should receive remuneration well above the cost of production**

Milk production in the state is being managed by small holder units. The animals are being maintained under intensive system which needs 100 % hand feeding. The feeding consists of two parts as concentrate and roughage. The compound feed or concentrate price varies frequently based on the price of ingredients. Also roughage cost varies with time and transportation cost. Hence it is mandatory that cost of production of milk be calculated at least once in a year based on an approved methodology and published after required consultation with stake holders. The procurement price should be fixed based on this cost of production. The procurement price needs to be fixed considering the cost of production and the market potential. However, maximum efforts should be taken to ensure a procurement price covering the cost of production.

Procurement process should be made more transparent and automation will be completed within 5 years in a phased manner.

**Provision for loans to dairy farmers for purchase of animals considering it as a farming activity.**

Dairy farming is an agricultural based activity where very poor farmers are involved. At present the Bankers, (nationalized) private & co-operatives give loans to Dairy farmers for purchase of cow for interest rate between 13%-17% per annum. Dairying is an activity which provides only meagre profit. It is also highly risky, since live stocks are involved the loan is associated an amount of insurance Agricultural Development Policy 2015 127 premium also. The Government and

the Bankers usually give priority for agriculture and sanction agricultural loan and crop loans at lower interest rates between 3% to 8%. Dairying should also be included as a priority sector in this regard.

Dairy farmers should also be given interest subsidy by Government so that more farmers make a livelihood out of dairy farming, bringing more farmers into this enterprise

**: Electricity on reduced rate than the industrial tariff should be provided to milk cooperative societies for chilling of milk.**

India even though is the largest milk producer in the world , Our milk products are not acceptable in the foreign markets because of the quality constraints. Milk is an agricultural produce which is highly perishable. It is necessary that milk shall be preserved as soon as it is produced. Hence it is essential that chilling facility shall be provided at the milk society level, which procures a minimum of 500-1000 litres of milk per day. It is also essential to provide chilling facility at milk society level on the health point of view of the citizens, particularly children. The profit margin for the milk co-operatives is meagre and hence it is necessary to provided low cost electricity to the milk co-operatives for preserving the milk produced by farmers. Hence electricity shall be supplied to milk co-operatives at lower rates for the chilling units only under the tariff - electricity for agricultural purposes.

**: Providing Insurance coverage to all dairy farmers and their milch animals**

Dairy farmers keeping crossbred cows which are susceptible to various diseases due to low resistance power. Health care causes high financial loss to the Dairy Farmer. In addition to his poverty he has to bear additional burden for this. In order to safe guard from this threat he must be provided by social security schemes. So it is required that the diary farmers pouring milk to dairy co-operative societies shall be insured along with their animals.



## **Utilisation of unutilised land under Local Self Government for fodder cultivation**

The economic viability of a dairy farming largely depends on the availability of fodder grass. The Cost of production of milk in Kerala ranges from 50 to 60%. Kerala produces only 60% of the roughage required for cattle feeding. The land availability is the major problem in the cultivation of fodder grass. For a healthy sustainable agriculture it is advisable that at least 5% of the total cultivatable land is spared for fodder cultivation where as in Kerala it is less than 2%. So to reduce the feed cost of the animal, the available cultivable and unutilized land with the State and Local self government should be utilized for fodder cultivation as intercrop by individual farmers /self help group. The procurement and marketing of these produce can be done by milk societies or through Kudumbasree units.

## **Providing production incentives to dairy farmers on every litres of milk produced**

Because of the high cost of production of milk and milk products state Government provides incentives to dairy farmers for every litre of milk produced. But till now no incentives are given to dairy farmers in Kerala . Compared to other states the cost of production of milk in Kerala is much costlier, like other state our state also should provide adequate incentive to dairy farmers for every litre of milk they produced. At least 10 % of the cost of production of milk as incentive shall be allowed to dairy farmers who pour milk at the primary cooperative societies. This will be much more helpful than increasing the milk price which in turn helps the consumers also.

**An appeal committee with experts from Dairy Development Animal Husbandry and pollution control board shall be constituted to dispose of disputes regarding License and Pollution Certificate for Dairy Farming**

The rearing of more than five cattle is stated as 'HAZARDOUS JOB' in building act. Farmers require license from the local self Government and as per pollution Control Act certificate from the pollution control Board is also required. Because of this reasons farmers are facing difficulties to continue the job. An appeal committee with experts from Dairy Development Animal Husbandry and pollution control board shall be constituted to dispose of such disputes. Biogas plants can do a better option for the waste disposal. Various schemes for helping farmers to protect them from these acts are essential. And to reduce the dispute which may occur due to the provisions of these acts it is recommended that each local body shall constitute an appeal committee for the disposal of such disputes.

### **: Strengthening of Dairy Advisory Services and Restructuring of Dairy Department**

Dairy Sector is undergoing rapid change and our state may reach selfsufficiency in milk production soon. Also the milk shall reach our consumers with nutritional standards and safety in health point of view. For this awareness among the farmers for safe milk shall be created and also three axis pricing policy has to be introduced to reach the international standard in milk production. To improve milk production in the state and improve the quality of milk to international level it is necessary to strengthen the dairy advisory service. More field level officers may be appointed and thus the dairy department shall be reconstructed and more extension services shall be established in Panchayats, to increase employment oppourtunity and milk production

In the dairy sector the farming activity is mostly women oriented. But hardly any women come out for training or organizing good scientific knowledge about dairy farming. Hence a women dairy promoter if provided at each village / Panchayat level, it would be useful and may disseminate scientific knowledge

through extension service. Every potential dairy Panchayat shall be provided with a woman dairy promoter

**Farmers having up to five animals and farmers who market the milk through dairy co-operatives which is registered under co-operative law shall be exempted from the registration under Food Safety and Standards Acts**

It is essential to protect the citizens as consumers of milk. At the same time the interest of the dairy farmers and the primary milk cooperatives shall be protected. Under this central act every milk co-operative shall register or to take license. It is recommended that farmers having up to five animals and farmers who market the milk through dairy co-operatives which is registered under co-operative law shall be exempted from this registration

The milk co-operative shall be given financial assistance for renewing the society premises conforming to food safety requirements. The milk co-operatives shall be given financial assistance to make the society and the premises to conform to the food safety requirements.

**The farmers of the state must be assured of getting quality cattle feeds and feed for other classes of livestock.**

The production of an animal depends on two major facilities as its breed and feed. The output of right breed with right feed will be optimum. The breed will be taken care of by the breeding policy and the quality of feed is the other major factor that has to be attended to.

There are technical specifications for each class of feed for different class of animals. At present there is no mechanism to check whether the feed available in the market to be purchased by the farmer is having the required quality. Whether there are any malpractices in its manufacture and marketing. These aspects have a direct bearing on the farm output and profitability of the farmer

. The state would promulgate the standards of feed in tune with BIS or GOI specification for feed of each class and put in a mechanism to ascertain the quality of feed marketed in the state. This will check malpractice and cheating and will instil confidence in the minds of the farmer. The Animal Feed Regulatory Authority must be created by the Department of Animal Husbandry. Also there should be a state of the art Laboratory to analyse and certify feed sample that are despatched to the Authority.

The farmer can send feed sample for analysis and also the department can collect such samples and conduct analysis on the same. An act should be formulated on the lines of the national fertilizer and insecticide act 1968 and implement it.

Area specific mineral mixture for dairy cattle should be formulated and made available to the farmers in order to correct mineral deficiency and effect production enhancement

Considering the abundant, cheap and locally available ingredients for the production of blocks, the beneficial effects on improving the productivity of animals and the growing demand for the supplement, there is a potential that the technology will attain its sustainability. It has been proven that the block is a handy supplement that can be immediately given to animals in the event of calamities where availability of feeds and grasses for animals are affected. Concerned agencies, both Government and private must work hard together to ensure sustainability. Technology promotion through training and information dissemination should be supported further by the concerned agencies to enhanced its adoption

## ABBREVIATIONS

AI	- Artificial Insemination
APCOS	- Anand Pattern Co-operative Societies
AHD	- Animal Husbandry Department
ATM	- Automatic Teller Machine
AMUL	- Anand Milk Union Limited
BMC	- Bulk Milk Cooler
DDD	- Dairy Development Department
DCS	- Dairy Co-operative Society
DBT	- Direct Benefit Transfer
DKMU	- Dakshin Kannada Milk Union Ltd
ER	- Economic Review
ERCMPU	- Ernakulam Regional Co-operative Milk Producers Union Ltd
FMD	- Foot and Mouth Disease
GCMMF	- Gujarat Co-operative Milk Marketing Federation Ltd
IDA	- Indian Dairy Association
ISPK	- Indo Swiss Project Kerala
ICDP	- Intensive Cattle Development Programme
ICT	- Information and Communication Technologies
IRMA	- Institute of Rural Management Anand
KLDB	- Kerala Livestock Development Board
KLD&MMB	- Kerala Livestock Development & Milk Marketing Board
KCMMF	- Kerala Co-operative Milk Marketing Federation Ltd.
KMF	- Karnataka Milk Marketing Federation
KCS Act	- Kerala Co-operative Societies Act
KDFWFB	- Kerala Dairy Farmers Welfare Fund Board
LSGD	- Local Self Government Department
MSDP	- Milk Shed Development Programme
MIS	- Management Information System
MRCMPU	- Malabar Regional Co-operative Milk Producers Union
MRDF	- Malabar Rural Development Foundation
MPCS	- Milk Producers Co-operative Society

NDDB	- National Dairy Development Board
NKDP	- North Kerala Dairy Project
NDP	- National Dairy Plan
OF	- Operation Flood
RBP	- Ration Balancing Programme
SDC	- Swiss Development Corporation
SLBP	- Special Livestock Breeding Programme
SOP	- Standard Operating Procedures
TRCMPU	- Thiruvananthapuram Regional Co-operative Milk Producers Union Ltd.
VBMP	- Village Based Milk Procurement System