

## Is Indian milk pricing system inclusive ?

Dairy blog with 88<sup>th</sup> edition of Dairy Pulse (From June 16<sup>th</sup> to June 30<sup>th</sup> 2019)

Dear friends,

"Carpentras, a village in southeastern France, which shortly held the country's all-time heat record of 44.3 degrees on last Friday. The record was topped again later in the afternoon in the southern village of Villevieille, 100 kilometers (60 miles) to the east, which measured a thermometer-busting 45.1 degrees Celsius (113 Fahrenheit)." Same is true with Germany and other parts of Europe also.

India had the driest June in five years, says IMD as monsoons got delayed; country stares at another agricultural crisis. If the rains don't improve over the next two to three weeks, India could be facing a crisis that hammers harvests and rural demand.

Last fortnight most of the news were about hike in milk prices by various federations (and still milk availability looked a bit difficult).

Fonterra on other hand had a great launch at Mumbai with their range of milk products like Toned milk in UHT, Dahi and flavored milk in aseptic packs. Mr Kishore Biyani from Big Bazaar also attended the launch and the team shared their dream of making "Dreamery" a 6000 crore brand in around 5 years.

A group of Dairies in Maharashtra also launched their drive to collect back the used pouches so as to toe the line with Maharashtra state government directive to do so. It would be a great opportunity for the dairy industry on pan India basis to learn from this experiment and later implement it with needed corrections .

Now let us look at the milk pricing mechanism prevailing in Indian dairy industry. For most part of the country, it is based on Fat and later converted into double axis for rate computation purposes. In Cow belt it is also available on Total solids and then getting split into Fat and SNF rates based on regional configuration of milk.

Whole of our dairy industry is now talking of value added products or the functional foods. The single most important reason for anyone buying milk is to meet the **body's protein requirements**. At global level milk is being

bought on the basis of protein and incentivized with somatic cell count levels and a few other operational factors.

**In Indian milk purchasing protein has not been considered that important.** SNF is considered as an indicator of protein and most of the adulteration is happening by negotiating with the **SNF content by adding sugar, maltodextrin, ammonium sulfate(to improve Lactometer reading), salt etc.**

Replacement of protein in milk by aggregator is a costly as well as risky affair as most of plant protein isolates are not of edible nature.

Fat pricing is acting more as a discriminator and also considered to be suggestive of buying a particular kind of animal or using a particular kind of feed and additives irrespective of its impact on animal's health (atleast in peri urban farming).

I would like to give an example of stainless steel. Now the pricing of stainless steel is not on the basis of its iron content rather than it is on the basis of Nickel content. Higher the Nickel content, higher the price. On similar lines , now the time has come for the industry to decide on which is the Nickel component of milk ; Fat, Protein or Lactose.

The government has already denied any plans to have MSP for milk. Under those circumstances the industry could start finding newer ways of setting the milk price so as to make this business sustainable. A few of the possibilities may be summarized as follows :

- a. Having a differential pricing mechanism for desi cow milk ( if the govt is really serious in suggesting farmers to go for desi cow rearing). ( however it would require a huge investment by the government for creating testing facilities for DNA identification)
- b. Setting price on two axis of fat and protein (as this ratio might be a constant) so that intermediaries do not gain anything by increasing SNF using adulterants.
- c. Setting price on Channa production which also indirectly considers **fat+protein** and leave lactose and ash aside while pricing.
- d. Standardising the fat price of milk in such a manner that above 5% fat you start getting lower rates for fat , thus enabling farmers to focus on reasonable levels of fat and higher levels of protein.



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**e. The regulator may also bring in Protein as one of the component mandatory while selling milk in labeling. At least a minimum level may be set for the purpose.**

These are just food for thoughts to take this discussion further. Sooner or later we may have to review the pricing mechanism so as to make this industry a sustainable venture for all the stakeholders including the farmers.

**Even government subsidy may also be more directed towards the input (feed, fodder, medicines, etc) and the qualitative output (protein, SCC, etc) but never for the quantitative output only.**

Praying god to bless our country and the world with much needed rains and thus respite from heat and hunger.

wishing you happy e reading.

with best regards

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