

High milk price for farmers versus consumers : Can they coexist?

Dairy blog with 99th edition of Dairy Pulse (Dec 1st to Dec 15th 2019)

Dear friends,

The whole of north India is shivering under the cold wave right now but the dairy industry is facing the heat of consumer's wrath over hike in milk prices in most part of the country at this time. Increase in milk price at this part of the year is a new normal. Last fortnight we saw news related to three core issues of the Indian dairy sector: Milk prices for farmers, Milk availability and Consumer milk prices. As a follow-up plan to Milk adulteration survey 2018, the regulator has initiated the development of Feed regulatory guidelines which is commendable.

Let me refer to news that appeared on January 02, 2019 in Economic times which we shared in our first edition of this year of Dairy Pulse. How true that has got proved this year. How many of us actually gave heed to the same and took corrective action ? How much did the government give importance to such insights and what were the corrective or precautionary actions/ Plans? Practically nothing...

Economic Times January 02, 2019

"Milk prices are likely to go up in 2019, cooperative dairies said, as supplies are less than usual during this period. Lower returns to farmers have led to the drop in milk production in winter, when supplies tend to go up, they said.

"Milk prices are bound to increase in 2019. Low stocks of skimmed milk powder (SMP) and a drop in milk supplies compared to the previous year are the two major reasons," said RS Sodhi, managing director of Gujarat Cooperative Milk Marketing Federation, which owns the Amul brand.

Dairies except a few cooperatives are not able to give farmers good prices, he said, adding that there was therefore a reduction in buying of cattle by farmers. "Compared to 15 per cent growth in milk supplies during winter, this year we have seen only a 2 per cent increase with daily milk procurement of 248 lakh litres by Amul," he added. "

Now let us look at the current situation :

- a. Milk prices have not come down almost since July 2019.
- b. Milk availability is also not as per the demand at higher prices.
- c. Stocks of SMP and Butter are at its lowest levels.
- d. There is practically no import of SMP and butter for making up the volumes.
- e. Consumer prices have been increased for the third time in this year after March, September and now December 15th.
- f. All the dairies are in a dilemma on whether to make powder and stock for next summer because any government intervention on opening SMP for local markets may jeopardize the whole strategy.

Over and above the reasons as stated by Sh Sodhiji ji, the following necessary evils have emerged this year.

- a. Extended monsoons thus affecting fodder and interlinked animal lactation cycles.
- b. Stray animals issues thus shifting farmers from the dairy business .
- c. Sudden upsurge in feed input commodities thus leading to increase in cost of milk production.

In totality the whole scenario is shifting from just a cyclical slump to more of a structural change. The bigger question to answer is whether higher milk prices to farmers and higher milk prices to consumer could coexist?

All of us do a very good lip service while talking about farmers and their interests but how many of us could contribute towards it by paying more for their farm produce. Current situations are indicating a slight shift in calving cycles this year so natural flush may begin from end of December to mid of January . So what would happen to milk prices then ? Would they go down and what would happen to consumer price for milk? Would that go down too ?

I think we are in a catch 22 situation wherein lower milk prices at market could not be maintained by paying high prices to the farmers until and unless the government subsidize the cooperatives or open import of SMP and butter at lower prices.

Latest prices of these commodities have also shown a slump recently and the latest prices in USD/MT are as follows SMP 2867 and WMP 3100.00 with around 6.5 % reduction in previous prices within a fortnight. So even at 60 % duty the imported SMP could be available at Indian markets almost at par with the current ongoing prices of SMP from Rs 310-Rs 340 per kgs.

The milk production in the country will surely be showing a major decline in absolute as well as rate of growth . It is just a warning signal for all stakeholders.

If we do not think and work together for making this milk production, pricing and availability dynamics both farmers and consumers friendly then we will only be left at the whims of the government who would protect consumers at the National level and farmers at the state level.

Happy e reading

with best regards

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