

ELEVENTH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1985-86)

(EIGHTH LOK SABHA)

INDIAN DAIRY CORPORATION
(MINISTRY OF AGRICULTURE—DEPARTMENT OF
AGRICULTURE & COOPERATION)

Presented to Lok Sabha and
Laid in Rajya Sabha on 30-4-1986

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LOK SABHA SECRETARIAT
NEW DELHI

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CORRIGENDA TO THE ELEVENTH REPORT
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(1985-86)

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INTRODUCTION

1. The Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Eleventh Report on Indian Dairy Corporation.

2. The Committee took evidence of the representatives of Indian Dairy Corporation on 18 and 19 December, 1985 and 9 January, 1986 and of Ministry of Agriculture (Department of Agriculture & Co-operation) on 10 and 11 March, 1986.

3. The Committee considered and adopted the Report at their sitting held on 28 April, 1986.

4. The Committee wish to express their thanks to the Ministry of Agriculture (Department of Agriculture & Cooperation) and Indian Dairy Corporation for placing before them the material and information they wanted in connection with examination of the Company. They also wish to thank in particular the representatives of the Ministry of Agriculture (Department of Agriculture & Cooperation), Indian Dairy Corporation and National Dairy Development Board who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

NEW DELHI:

April 29, 1986

Vaisakha 9, 1908 (S).

K. RAMAMURTHY,

Chairman,

Committee on Public Undertakings.

CHAPTER I

OPERATION FLOOD

A. Objectives

1.1 Indian Dairy Corporation (IDC) was incorporated in February, 1970 as a wholly Government-owned Company under Section 25 of the Indian Companies Act. The main objectives of the IDC are as follows:—

- (i) To act as a financing and promotional institution, as the Government of India may require, to help expedite the nation's dairy development;
- (ii) To this end, to obtain funds, as directed by the Government of India, to disburse these funds for investment in dairy development and to monitor the progress and effectiveness of the projects in which these funds are invested; and
- (iii) To conduct any activities of a commercial nature which the Government of India may deem desirable in the interest of the nation's dairy development.

1.2 The National Dairy Development Board (NDDB), which had been constituted in September, 1965, was named as the technical and scientific advisory body of Indian Dairy Corporation. NDDB is an autonomous organisation registered under Societies Registration Act of 1860 and the Bombay Public Trusts Act of 1950, and its members, all nominated by the Government of India, constitute the Board of Directors of IDC as well, after the formation of IDC, the Chairman of NDDB was appointed Chairman of IDC. There is now a common Chairman both for NDDB and IDC.

B. Operation Flood—I

1.3. During the late 1960's. NDDB concluded that the problems of milk production, city-cattle keeping, middlemen's margins etc. were linked to each other and that they could be solved only by an integrated dairy development programme, mounted on a national scale. This programme was popularly known as "Operation Flood".

1.4. Under the Operation Flood--I project started in July, 1970 the World Food Programme (WFP) agreed to supply, free of cost,

at Indian Ports 1,26,000 MT of skim milk powder and 42,000 MT of butter oil. It was envisaged that these commodities be combined into liquid milk by the modern dairies in Bombay, Calcutta, Delhi and Madras where they were expected to generate Rs. 95.4 crores for the investments in dairy developments which the project required while also enabling the modern dairies in the four major cities to capture commanding shares of their milk markets. Commensurate with the upward revision of sale value of the commodities the actual generation of funds under OF-I was stated to be Rs. 116.4 crores.

1.5 OF-I was originally scheduled to end in 1975 but was extended upto 31st March, 1981. When asked the reasons for the extension of OF-I Project upto 1981, the Secretary, NDDB stated in evidence:

“The major reasons for this were, in the first five years, we were able to generate less than 50 per cent of the funds. Funds were generated through two sources, viz. (i) sale of imported gift commodities, (ii) setting up of Mother Dairies which were to convert these commodities into milk and thus into cash. The setting up of Mother Dairies got delayed. We also got less than 50 per cent of the commodities in first five years.”

1.6. In this connection, the Chairman, IDC also informed the Committee that the whole operation was based on having four Mother Dairies in four metropolitan cities of Delhi, Bombay, Calcutta and Madras, where the donated commodities were to be received and converted into milk. A group of engineers which went to Mexico city to look into bulk vending operations there, recommended that the system could be adopted here with some modifications. The Government was then approached for an import licence of Rs. 1.5 crores for importing 200 machines. However, this licence was not given. So, during the three years in the five year time-bound programme, IDC was not allowed to set up Mother Dairies which were to generate funds.

1.7. Asked about the delay in completion of OF—I, the Ministry of Agriculture (Department of Agriculture & Cooperation) stated in a written note that during the initial years, the World Food Programme (WFP) could supply only 38 per cent of the milk powder and 51 per cent of the butter oil agreed to be supplied. Even at the end of the first nine years, the WFP could supply only 95 per cent of the total commodities agreed upon. The supplies as agreed to by the WFP were completed only by 30th June, 1981. Consequently, there was a delay in generation of funds and their utilisation for project implementation.

1.8. In regard to the delay in setting up of Mother Dairies, the Ministry also stated:—

“It is true that there was some delay in commissioning Mother Dairy, Delhi. While it took some time for the idea of bulk vending to become acceptable, another reason for delay was that the original idea of importing the bulk vending machines was given up because of foreign exchange difficulties. It took some time for the machines to be developed indigenously by NDDB.”

1.9. The Committee enquired about the constraints experienced in the implementation of Operation Flood-I (OF—I), the Chairman, IDC stated as follows:—

“Regarding Operation Flood—I, I submitted the scheme to the Secretary, Agriculture, Government of India requesting him to go through the project, to scrutinise it and if they agree, write a letter to World Food Programme authorities requesting for donation of commodities etc. For one year I heard nothing.....It was an accidental visit of the Home Secretary to Amul Dairy that cleared Operation Flood—I.”

1.10. On enquiry as to when the proposal of OF—I was first submitted to the Government and when it was finally approved, the Ministry of Agriculture (Department of Agriculture & Cooperation) stated in a written note that the proposal was submitted by NDDB to the Ministry of Agriculture in November, 1968, and Government's approval was communicated to the Chairman, National Dairy Development Board in September, 1969.

1.11 On being asked the reasons for delay in approval of OF—I, the Secretary, Department of Agriculture and Cooperation stated in evidence:—

“We have a long list of projects. It has an impact on the commodity markets in India. The import of any commodity and its sale in the market had to be so organised that it does not have an adverse impact on domestic growth. This has to be examined. Simply because it is a gift, we should not accept it without knowing whether it is surplus to the economy. It was accepted within 11 months. It was delayed because this was something unknown.”

1.12 The Committee enquired about the extent of increase in the production of milk after completion of OF—I. The Department of Agriculture & Cooperation in a written note has stated that no specific study has been made with regard to the increase in the production of milk in the milksheds covered under OF—I. However, the milk production in the country as a whole was estimated to have increased from 21.60 million tonnes in 1969-70 to 31.50 million tonnes in 1980-81.

C. Operation Flood—II

1.13 Operation Flood—II proposal submitted to the Government of India in June, 1977 (revised in June, 1978) was designed to build on the foundation created under Operation Flood—I. The programme was stated to be a logical continuation of Operation Flood—I and was proposed to be implemented over a period of 8 years (including one year-preprogramme period). The overall objectives of Operation Flood—II were—

- (i) To enable some ten million (hundred lakh) rural milk producers' families to build a viable, self-sustaining dairy industry by mid 1985;
- (ii) To enable milk producers to rear a National Milch Herd of some 140 lakh cross-bred cows and upgraded buffaloes during the 1980's;
- (iii) To erect a National Milk Grid which will link the rural milk sheds to the major demand centres with urban population totalling some 150 million;
- (iv) To erect the infrastructure required to support a viable national dairy; and
- (v) by means of the improvements thus achieved in milk production and marketing, to enable milk and milk products to form an appropriate part of stable nutritionally adequate national diet.

1.14 The Project was to be implemented in two parts: firstly, pre-programme actions required for launching Operation Flood—II were to be carried out during July, 1977 to June, 1978; and secondly, Operation Flood—II itself was to be implemented during July, 1, 1978 to June 30, 1985. The project was intended to start simultaneously in all States after the lead pre-project period of one year. The programme dimensions of Operation Flood—II proposal were

set for a time period of 8 years including a pre-programme year, the actual project duration envisaged being 1978—85.

1.15 The Operation Flood-II approved by Government in October, 1978 had an outlay of Rs. 485.5 crores. The project was to be financed with Rs. 206 crores expected to be generated from gifts of 1,86,000 MT of skim milk powder (SMP) and 76,200 MT of butter oil to be received from European Economic Community (EEC); International Development Association (IDA)/World Bank credit for US \$ 150 million (about Rs. 129.00 crores); internal resources of Indian Dairy Corporation consisting of receipts on account of loan repayment and interest estimated at Rs. 86.59 crores and further IDA credit and/or budgetary support.

1.16 According to the report of the Evaluation Committee on OF-II (Jha Committee), the pre-project phase took much longer to complete than the originally contemplated one year. Taking the appraisal of the perspective plan, followed by the communication of its approval by the IDC to a State/Union Territory as the starting point, OF-II started on different dates in different States. The original assumption of a common starting and terminal year was, thus vitiated.

1.17 The Committee desired to know the reasons for the pre-programme phase taking longer than a year, as envisaged. IDC replied in a note submitted to the Committee that the pre-programme phase was meant for completion of such formalities as signing of the basic agreement by the State Governments, constitution of State Cooperative Federation wherever it did not exist, or for amendment of the bye-laws as recommended by the IDC/NDDB; for preparation of individual State dairy development project proposals, signing of loan-cum-grant agreements and guarantee deeds; and recruitment of composite spearhead teams. As most of the States took longer than one year to act on these prerequisites, the pre-programme phase got extended beyond a year.

1.18 In reply to a question as to what period was actually ascribed to this pre-programme phase, IDC stated:

“The Operation Flood-I was also continuing and it came to close by March, 1981. Therefore, the period of OF-II that continued concurrently with OF-I was considered pre-programme phase.”

1.19 The Committee observed from the information received from IDC that West Bengal and Gujarat executed the OF-II agreements in August and November, 1978 respectively. Nine other

States viz. Assam, Haryana, Himachal Pradesh, Kerala, Madhya Pradesh, Orissa, Punjab, Sikkim and Uttar Pradesh signed the agreements in 1979. When the Committee pointed this out to the Secretary, Department of Agriculture & Cooperation and asked how the starting date of OF-II was adopted as 1st April, 1981, the witness stated in evidence that all the States did not join together in the scheme. Even after signing the agreement, subsequent activities of preparing the project report and registering the various cooperative structures and equipping that with professional management proceeded according to different schedule. In this connection, the Ministry stated in a written reply as follows:—

“Entire technical support and energies of the NDDB and IDC were directed towards completion and closing of OF-I. In the circumstances, OF-II could not really take off prior to 1st April, 1981 except for the spill over projects in continuation of OF-I. Also, all the States could not initiate the planning process simultaneously.”

1.20 The Committee enquired about the reasons for the reluctance on the part of State Governments to enter into agreements on OF-II when it was stated to be a logical continuation of OF-I. The IDC stated in a written reply that though it was very difficult to identify a single clause which was a common denominator for delay with all the State Governments, generally none of the State Governments agreed to grant freedom to the Dairy Federation for fixing the price for purchase of milk from the farmers and for sale of milk to the consumers. The State Governments were very reluctant to transfer the existing assets. Whenever agreed, the State Governments wanted the newly organised federation to take over the accrued liabilities, losses as well as the excess staff. In many cases the State Governments did not want to take the responsibility for providing land, water and power at the site for the new projects to be taken up under the OF-II programme.

1.21 According to the Jha Committee, though the initial problems have been sorted out with a measure of flexibility both on the part of the IDC and the State Governments concerned, it would be desirable to look at the issues with a view to evolve a settled long-term policy. The Committee desired to know whether any long term national policy for development of dairy industry has been formulated with particular reference to implementation of Operation Flood Project. The Secretary, Department of Agriculture & Cooperation stated in evidence as follows:—

“The Minister has approved a proposal that a Committee be asked to go into it and within a period of three months,

come up with a draft National policy which will not restrict itself to the Operation Flood areas but will cover the whole country..... covering a longer period of ten to fifteen years."

Extension of OF-II

1.22 Operation Flood II which was initially to be completed by June, 1985 and envisaged assistance both from the World Bank and the EEC, was stated to have been appraised by the World Bank on its own behalf and on behalf of the EEC. In its Staff Appraisal Report, the World Bank recommended implementation in two phases: first phase to end in 1985 for which IDA committed US\$ 150 million for the project. The Planning Commission also reviewed the Operation Flood II proposal and approved implementation in two phases. Phase I ran concurrently with the Sixth Five Year Plan as had been completed in March, 1985. Phase II of OF-II (i.e. Operation Flood Phase III) would be implemented concurrently with the Seventh Five Year Plan and would be completed by March, 1990.

1.23 Asked to state the consideration due to which the time schedule of completion of Operation Flood II had to be extended, the Chairman, IDC informed the Committee in evidence:—

"The Government of India and the World Bank came to the conclusion that Rs. 485 crore project could not be implemented in five years and, therefore, they split it into two parts and sanctioned only Rs. 273 crores for the first five year period. For the next phase they asked us to come again."

1.24. In this connection, the Department of Agriculture & Co-operation, however, stated in a written reply that Indian Dairy Corporation sought approval of the Steering Committee (set up by the Ministry to monitor the overall performance of Operation Flood) for revising the financial requirements from Rs. 485.5 crores to Rs. 781.7 crores as also the time schedule for completion of Operation Flood II upto 1989-90. It was argued in the 6th Meeting of the Steering Committee held on 3rd June, 1983 that the first two years of Operation Flood II (i.e. 1979-80 and 1980-81) were also closing years of the Operation Flood I. Entire technical support and energies of the NDDB and IDC were directed towards completion and closing of Operation Flood I. Operation Flood II could not really take off during these years except for the spill-over projects in continuation of the Operation Flood I. Moreover, all the States

could not initiate the planning process simultaneously. After some discussion, the Steering Committee agreed in principle to the proposal.

1.25 It was further stated by the Ministry that when the question of revision of physical and financial targets of Operation Flood II was further reviewed by the Steering Committee in its 7th Meeting held on 5th September, 1984, the Chairman, IDC/NDDB informed that it would be possible to utilise the present I.D.A. credit of US \$ 150 million by December, 1985 and there might be no need for further assistance from IDA. Additional Secretary, Department of Expenditure, Ministry of Finance, however, felt that IDA credit being a soft loan should be availed of, if available. The Chairman of the Committee endorsed the views and desired that IDC should revise the proposal for PIB clearance in accordance with the possible IDA assistance. It was in this context that IDC/NDDB revised the project proposal raising the total investment from Rs. 485.5 crores to Rs. 958.46 crores which *inter alia*, included possible second tranche IDA assistance of about US \$ 150 million. Out of the original cost of Rs. 485.5 crores an amount of Rs. 277.17 crores was stated to have been disbursed upto March, 1985. The amount of Rs. 681.29 crores (Rs. 958.46—Rs. 277.17 crores) was proposed to be spent for implementation of Operation Flood III project during the Seventh plan period.

1.26 The Committee desired to know the reasons for increase in the total outlay from Rs. 485.5 crores to Rs. 958.46 crores. Indian Dairy Corporation informed the Committee in a written reply that during the course of project formulation it was felt necessary to provide more funds for foot & mouth disease control programme, for renovation and modernisation of dairy plants likely to be transferred by the States to the cooperatives, cattle food plants, for administrative support to the Federations/unions including modern communications and electronic data processing systems, and Rs. 100 crore was kept to meet working capital requirements.

1.27 In this connection, the Secretary, NDDB stated in evidence as follows:—

“ . . . The earlier approach did not quantify the cost of the supplementary feeding programme. . . . Now it is Rs. 54 crores. Another Rs. 38 crores was for disease free areas.”

D. Targets and Achievements

1.28 The physical targets and achievements for Operation Flood-II were stated to be as under:

Particulars	Original proposal of June, 1978	End of 6th Plan Period (March 85)		Incremental targets for the 7th Plan (April 5 to March 1990)	Total targets 1981-March 1990
		Targets	Achievements		
No. of milksheds	155		136	37	173
No. of District Cooperative Societies (DCS) (000)	34.00	29.00	34.50	15.50	50.00
No. of DCS under Artificial insemination (AI) (000)		8.00	7.50	17.50	25
Milch animals under cooperative ambit (Lakhs)	152.80	52.20	54.46	98.34	152.80
Rural Milk Procurement peak Lakh litres per day (LLPD)	183.30	71.90	78.98	104.32	183.30
Milk Producer families covered (lakhs)	100.00	34.80	36.31	63.89	100.20
Urban Milk Marketing (LLPD)	152.60	43.00	50.11	74.09	124.20
Rural Processing capacity (LLPD)	200.00	76.00	87.75	112.25	200.00

1.29 The Committee were also informed that the original proposal of June, 1978, in respect of Operation Flood II was to cover 155 districts. The programme would now cover a larger number of districts grouped into 173 milksheds covering all States and 7 out of 9 Union Territories. Asked to state the basis on which the decision to extend the coverage of OF-II was taken, the IDC replied in a note furnished to the Committee that in view of the decisions taken at the meetings of the Steering Committee held in January and July, 1979, the Operation Flood II was extended even to the States/ Union Territories which were not included in the original proposal. In the Sixth meeting held on 3-6-1983, the Steering Committee observed 'although under Operation Flood II actual intention is to cover 248 districts, Coverage of 155 districts mentioned in OF-II should be completed well before the completion date of the OF-II, so that operational activities in all these districts could be initiated.'

1.30 In this connection, the Secretary, NDDB informed the Committee in evidence:—

“The Steering Committee kept on adding more and more States to it with the result that the number of districts has gone upto 230,”

1.31 The Committee desired to know the reasons for not revising upwards the other components of the project like coverage of farmers families, number of milch animals to be brought under cooperative ambit, targets of rural milk procurement and rural processing capacity, in spite of the project now extending over a wider geographical area and covering a longer period upto 1990. The Managing Director, IDC replied in evidence that the targets in physical terms were more or less the same as laid down five years ago but how to go about achieving these targets had changed after Operation Flood III was adopted. Initially, the formation of 34,000 societies was planned but now they were working on 50,000 societies.

1.32 Illucidating further, IDC stated in a written reply that while determining the targets for OF-III as on 31st March, 1990 the level of achievement as on 31st March, 1985 was taken and then a likely level of achievement projected based on reasonably efficient execution of the programme by the various State federations/unions. This projection took into account the experience in the last five years during which immense difficulties were encountered in the implementation of such a massive project.

1.33 On being asked about the rationale of including more and more areas under the programme, the Ministry stated in a note submitted to the Committee that the Steering Committee decided to extend the project to all the States and seven Union Territories so that the milk producers, particularly the small and marginal farmers all over the country, could benefit from the project. The areas that were not initially to be covered by the project also had a significant number of milch animals and in some of these areas, dairying was an important economical activity. Even though these areas were not as good as the areas earlier selected under Operation Flood, the State Government lay great emphasis on the inclusion of these additional areas for the overall economic development of the State.

1.34 On a query by the Committee whether the inclusion of new areas in the project would not affect the viability of the project, the

Ministry stated that the inclusion of these areas has marginally lowered the viability of the programme. The overall viability of the programme for each of the States had remained over the twelve per cent internal rate of return prescribed by the World Bank even though it would have been much higher if the marginal areas had not been included.

1.35 The Committee desired to know whether by not raising the physical targets commensurate with the wider coverage of the programme and extension of its time schedule, the project has not been diluted. The Department of Agriculture and Cooperation stated in a written reply that:—

“To some extent, this amounts to the dilution of the project but this has been suggested with a view to take the benefits of the project to a larger number of districts and because for some of the newly-included districts, dairying is an important economic activity. However, it makes the project much more difficult to implement.”

E. Operation Flood—III

1.36 Indian Dairy Corporation first submitted a proposal (draft PIB Memo) to the Ministry in April, 1984 raising the outlay of OF—II from Rs. 485.5 crores to Rs. 782 crores and extending the project upto 1989—90. In September, 1985, National Dairy Development Board submitted the project proposal entitled Operation Flood Phase III and the draft PIB Memo in November, 1985. The total cost of revised project including Phase II would now be Rs. 958.46 crores. Out of the original cost of Rs. 485.5 crores an amount of Rs. 277.17 crores was estimated to have been disbursed upto March, 1985. The balance amount of Rs. 681.29 crores was proposed to be spent for implementation of Phase III project during the Seventh Plan period i.e. 1985-86 to 1989-90. When asked as to how the project would be financed, IDC stated in a written reply that OF—III was proposed to be financed from internal resources of IDC and external assistance of Rs. 324.70 crores from World Bank and EEC.

1.37 On enquiry about the amount of internal resources of IDC expected to finance OF—III, the Committee were informed by the Secretary, Department of Agriculture and Cooperation in evidence that besides Rs. 238.18 crores carried forward from Operation Flood Phase II to Phase III, about Rs. 93.24 crores would be the amount generated subsequently.

1.38 On being asked about the extent of assistance from World Bank and EEC, the Chairman, IDC stated in evidence:—

“A soft loan of 150 million dollars will be negotiated with the World Bank on the same terms and conditions as the first one. Second is commodity assistance from the European Economic Community. But this time it is less than half of Operation Flood II, which will be 15,000 tonnes per annum of milk powder and 5000 tonnes of fat as against 35,000 tonnes of milk powder and 11,000 tonnes of fat (during OF—I).”

1.39. Asked to state the amount of assistance by way of gifted commodities, the Ministry replied in a note that the project proposal for Operation Flood Phase III submitted by IDC/NDDDB envisaged generation of funds out of commodity assistance from EEC to the extent of Rs. 144.70 crores. Besides, IDC would have carry-over funds generated out of EEC receipts upto March, 1985.

1.40 When asked about the latest position in regard to the finalisation of the project, the Ministry in a written note has stated that the project proposal as well as PIB Memo was recently circulated to various appraising agencies for their comments. So far the Bureau of Public Enterprises (Construction Division) and the Planning Commission (Agriculture Division) have raised certain issues requiring clarifications by the IDC and the same have been transmitted to the IDC. Subsequently, the Ministry informed the Committee after evidence that a Pre-PIB meeting was held on 14.3.1986 under the Chairmanship of Financial Adviser, Department of Agriculture to thrash out the comments of the appraising agencies. Minutes of pre-PIB meeting were being circulated to revise the PIB Memo in the light of discussions thereon. After the PIB Memo was revised and circulated, another pre-PIB meeting might be held by the Financial Adviser.

1.41 On being asked whether the assistance from World Bank and the commodity-aid from EEC have been ascertained, the Ministry started in their reply that the Department of Economic Affairs, Ministry of Finance to whom a copy of the project proposal was sent in November, 1985, for initiating action for undertaking informal negotiations with the World Bank/International Development Association (IDA) for second tranche of IDA credit assistance of US \$ 150 million for financing the Operation Flood

Phase III, have informed *vide* their letter dated 19th February, 1986 as under:—

“The Bank has indicated that there is no possibility of including this project in the current plan lending programme due to budgetary constraints. However, Bank is in the process of reviewing the activities with regard to Bank assistance for India’s Agriculture Sector and the possibility of World Bank Financing for the above project will be reviewed thereafter.”

1.42 In regard to the commodity-aid from the EEC, the Ministry stated that with a view to ascertain reactions and have preliminary discussions with the European Economic Community (EEC), a copy of the project proposal was sent to the Department of Economic Affairs in September, 1985, for onward transmission to the Indian Ambassador at Brussels. Ministry of Finance informed Minister (EEC), Embassy of India in Brussels in January, 1986 that this item had been included as a project possibility for discussions in the agenda of the forthcoming Indo-EEC Joint Commission Meeting to underscore our continued interest in receiving food-aid in the project from EEC. The Indo-EEC Joint Commission Meeting was, however, postponed and no fresh date has yet been fixed for the meeting. In the meantime, the Indian Ambassador in Brussels is stated to have formally requested the EEC for interim allocation of commodity assistance for O.F.-III for the year 1986.

1.43 When asked about the prospects of availability of funds for Operation Flood III, the Secretary, Department of Agriculture and Cooperation stated in evidence:—

“.....I do not feel very happy about the situation now. There is no money in the Plan. There is no clear indication of the external aid. At this stage, I cannot say anything... some solution has to be found for this problem. But right now we are not in a position to do anything.”

1.44 In view of the non-finalisation of the PIB Memo and the foreign aid component, the Committee desired to know whether the Operation Flood III has actually started alongwith the Seventh Five Year Plan as envisaged. The witness informed the Committee as follows:—

“It has been stated in 1985-86. The project requirements which the IDC indicated were to the tune of Rs. 681.29

crores approximately but the balanced of money required for the remaining period is not there now. It is now operated on an annual plan basis."

1.45 In this connection, the Secretary, NDDB informed the Committee in evidence that Rs. 70 crores have so far been spent out of the funds available with IDC.

1.46 In reply to Unstarred Question No. 1154, it was stated in Lok Sabha on 25 November, 1985 that the average daily import of gift commodities during Operation Flood I was about 31.76 MT of skim milk powder and 9.89 MT of butter oil, equivalent to 3.63 lakh litres of reconstituted milk. Asked to state the position in this regard during Operation Flood II, the committee were informed by the Ministry in a written note that the average daily import of gift commodities during Operation Flood II was 84.77 MT of skim milk powder and 24.42 MT of butter oil, equivalent to 8.4 lakh litres of reconstituted milk. It was, however, stated that the Commodity aid was not likely to be given by EEC as liberally as in the past. The Committee, therefore, desired to know by when the dairy development programme in the country was expected to become self-sustaining without depending on foreign commodity aid. The Secretary, Department of Agriculture & Cooperation stated in evidence that "We did not think about it. It is high time we indicate a date beyond which commodities will not be received even as a gift."

1.47 Under the Operation Flood-I, started in July, 1970, the World Food Programme (WFP) agreed to supply, free of cost, at Indian Ports, 1,26,000 MT of skim milk powder and 42,000 MT of butter oil. The project originally scheduled to be completed in 1975 was expected to generate Rs. 95.4 crores by sale of imported gifted commodities and setting up of Mother Dairies which were to convert these commodities into milk and then into cash. The funds so generated were to be invested in dairy development, enabling the metro dairies in the four major cities to capture commanding shares of their milk markets. As a result of upward revision of sale value of the commodities, the actual generation of funds under the project was Rs. 116.4 crores.

1.48. The Committee note that the O.F.-I submitted to Government in November, 1968 was cleared only in September, 1969. What is more distressing is the fact that the project originally expected to be completed in 1975 was actually completed in March, 1981. Apart from the delay in supply of commodities by the WFP, there was delay in setting up the Mother Dairies which were to generate

Funds. While the decision to develop the bulk vending machines indigenously instead of importing them as originally planned is commendable, the Committee see no justification for the long time taken in developing these machines which resulted in avoidable delay in implementing the programme. The Committee would stress the need for proper advance planning and timely implementation while undertaking such important projects in future.

1.49 The Committee note that Operation Flood II proposal envisaged its implementation in two parts. The pre-programme actions required for launching the project were to be carried out during July, 1977 to June, 1978 and O.F.-II itself was to be implemented during July, 1978 to June, 1985. However, the pre-project phase took much longer time than originally contemplated time of one year to complete, mainly because most of the States are stated to have taken longer time in completion of such formalities as signing of basic agreements, constitution of State Cooperative Federations, preparation of individual State dairy development project proposals, etc. and technical support and energies of the NDDB and IDC were directed towards completion and closing of OF-I.

1.50 The Committee feel that as the Operation Flood II was to be a logical continuation of Operation Flood, I, it should have been possible for the Government to persuade the State Governments to expedite these pre-programme actions and avoid delays in starting OF-II. The Committee also see no justification for adopting the starting date of OF-II as 1 April, 1981 when many of the States had signed the agreements in 1978 and 1979. Besides, the programmes to be implemented under OF-II should have also been started simultaneously even though O.F.-I had to be extended upto 1981.

1.51 The Committee observe that the programme dimensions of Operation Flood-II were initially set for a time period of 8 years including a pre-programme year, the actual project duration envisaged being 1978-85. The approved outlay of the project of Rs. 485.5 crores included Rs. 206 crores expected to be generated from gifts of 1,86,000 MT of skim powder and 76,200 MT of butter oil to be received from European Economic Community and IDA credit US \$ 150 million. Subsequently, the project was split into two phases—Phase-I with an outlay of Rs. 273 crores ran concurrently with the Sixth Plan period and was completed in March, 1985. Phase-II of Operation Flood-II (also called Operation Flood III) is to be implemented concurrently with the Seventh Five Year Plan and scheduled to be completed by March 1990. Thus, the project, the start of which had already been delayed by three years has now effectively been extended from 1985 to 1990. Not only has the dur-

ation of the project been extended, the total outlay on Phase-I and Phase-II of OF-II has also been increased considerably from Rs. 485.5 crores to Rs. 958.46 crores, reportedly to providing funds for foot and mouth disease control programme, supplementary feeding programme, working capital support to federations, etc. As against the original proposal to cover 155 districts, the project is now expected to cover some 248 districts.

1.52 The Committee are constrained to observe that in spite of the fact that the project will now cover a wider geographical area with an increase in outlay by about 97 per cent and also its completion time having been extended upto 1990, the targets in physical terms remain more or less the same. Also the targets for other components of the projects like coverage of farmers families, number of milch animals to be brought under cooperative ambit, rural milk procurement and rural processing capacity have not been revised upwards. Admittedly, this amounts to the dilution of the programme. The Committee, therefore, suggest that the targets of the project should be reviewed and revised upward commensurate with the extension of time frame and coverage of the larger number of districts.

1.53 The Committee have been informed that out of the total revised project cost of Rs. 958.46 crores (including both Phase II and Phase III of Operation Flood Project) Rs. 277.17 crores is estimated to have been disbursed upto March, 1985. The balance amount of Rs. 681.29 crores is proposed to be spent for implementation of Phase III of the project during Seventh Plan period, i.e., 1985-86 to 1989-90. Apart from Rs. 238.18 crores carried forward from Phase II and IDC's internal resources of Rs. 93.24 crores, the Project is to be financed by an anticipated second tranche soft loan of US 150 million dollars from the World Bank and commodity assistance from EEC to the extent of Rs. 144.70 crores.

1.54 However, the Committee are dismayed to observe that though Phase III has been started in 1985-86, it is yet to be approved by the Public Investment Board. The World Bank has also indicated that there is no possibility of including this project in the current plan lending programme due to budgetary constraints. The Commodity aid from EEC is also not assured. In fact, the Secretary, Department of Agriculture and Cooperation admitted in evidence "There is no money in the Plan. There is no clear indication of the external aid." In view of the uncertain position of availability of funds the Committee have serious doubt about the successful implementation of the Phase III of O.F. project within the proposed time frame. The Committee are of the view that if timely action

had been taken for obtaining the necessary foreign aid, such uncertain situation could have been avoided. They desire that the project should now be finalised expeditiously and finances arranged therefor. The Committee would like to be apprised of its proposed implementation.

1.55 The Committee note that the average daily import of gift commodities during OF II was 84.77 MT of skim milk powder and 24.42 MT of butter oil against 31.76 MT and 9.89 MT, respectively, of these commodities during OF-I. They need hardly stress that the aim of the dairy development programme of the country in the long run should be to become self-sustaining without depending on foreign commodity aid but unfortunately, this aspect does not appear to have been given any thought. The Committee expect that the long term policy for dairy development stated to be under formulation should be finalised early laying down a time bound programme in this regard.

F. Merger of IDC and NDDB

1.56 At the time of examination of Indian Dairy Corporation during 1975-76, the Committee were informed that initially it was contemplated that the NDDB would implement the Operation Flood Project. However, NDDB, as a registered society was not legally competent to transact financing activities, and, therefore, the Indian Dairy Corporation was created for handling these financial activities and the NDDB was retained as a technical body in the field of dairying. The Chairman of NDDB was appointed Chairman of the IDC and some members of the NDDB were also appointed as Directors of IDC. This was stated to reflect Government's intention that the functioning of the two organisations would be complementary to each other.

1.57 In view of this, the Committee in their 83rd Report (Fifth Lok Sabha) had recommended that in the long run it would be beneficial to bring about merger of the two organisations so that NDDB could become the research and development wing of the merged organisation and the merger should be in such a way that activities of NDDB did not get inhibited due to procedural difficulties.

1.58 The National Commission on Agriculture in their report (September, 1976) also recommended that NDDB should be merged with the IDC as its research and development wing. The integration of these two institutions was necessary as it would lead to integrated approach, better coordination and economy of the operations.

1.59. In October, 1980, at the time of finalisation of 14h Report on action taken by Govt. on the recommendations contained in 83rd Report of Committee on Public Undertakings (Fifth Lok Sabha) the Committee on Public Undertakings (7th Lok Sabha) were informed by the Ministry that the question of the manner by which merger of National Dairy Development Board with the Indian Dairy Corporation can be brought about without undermining the autonomy of NDDB was still under examination.

1.60 The Evaluation Committee on Operation Flood-II (Jha Committee) also agreed with the view expressed by the Committee on Public Undertakings and the National Commission on Agriculture that the NDDB be merged with the IDC and function as its Research & Development wing. That Committee in its report submitted in December, 1984 also recommended that as the rule and functions of IDC were more akin to those of development financing institutions like the National Bank for Agriculture and Rural Development (NABARD), the Industrial Development Bank of India (IDBI) and the Industrial Finance Corporation (IFC), a new statutory Corporation be formed to take over the functions performed by both the institutions. The new corporation should have full freedom and flexibility in operation, not less than what the NDDB and IDC have enjoyed so far and on par with other financial institutions like NABARD, IDBI, IFC etc. The Corporation should also perform a more wide ranging role beyond the confines of the Operation Flood Project. For example, it could provide financial assistance for dairy development project/programmes even of promotional nature, whether in Operation Flood or non-Operation Flood areas. Similarly, it could provide technical assistance for dairy development programmes even in areas not falling within the purview, of Operation Flood.

1.61 When asked about the comments of IDC in this regard, the Chairman, IDC stated in evidence:—

“I agree with the Ministry that we may implement the Jha Committee's recommendations to merge the two and make a statutory corporation. . . . this corporation should enjoy an autonomous status.”

1.62 On being asked as to how far the objectives of IDC and NDDB were complementary or overlapping, the Department of Agriculture and Cooperation stated in a written reply that the main objectives of the IDC were to act as a financing and promotional institution, as the Government of India may require, to help expedite the nation's dairy development; to obtain funds and disburse

them for investment in dairy development and to monitor the progress and effectiveness of the projects in which these funds were invested and to conduct any activities of a commercial nature which the Government of India may deem desirable in the interest of the interest of the nation's dairy development. The primary objective of National Dairy Development Board was stated to be to provide technical services to implementing agencies in building up their dairy projects on the pattern of Kaira Milk Producers Union Limited, Anand, popularly known as the Anand pattern. Thus, according to Ministry, the IDC and the NDDB played complementary rather than contradictory or overlapping roles.

1.63 On the question of extending the role of the new Corporation beyond the confines of the Operation Flood Project, the IDC stated in a note as follows:—

“We agree. We take it this legitimises the tasks allotted to NDDB and IDC by the Government in the field of oilseeds and fruits and vegetables.”

1.64 In this connection, the Secretary, Department of Agriculture & Cooperation informed the Committee in evidence as under:—

“I would like to remove the impression that the edible oils project which we are operating on behalf of the NCDC and partly through NDDB set up on large modern complexes under seven large firms is owned by the Dairy Marketing System. . . . The milk marketing federations are entirely different from the oilseeds growers federations which we have set up in different States. . . . The aid for these projects (oil seeds project) are given by the Co-operative League of the United States and the Canadian Cooperatives as gift material to NDDB and account has to be separately kept. It is nothing to do with the dairy account of the Milk Power as gifts.”

1.65 In this connection, the Committee were informed by the IDC that there was *de facto* merger of these two bodies as there was a common Board of Directors for both and the two organisations worked in unison.

1.66 The Committee enquired as to why, in these circumstances, it has not been possible for Government to arrive at a final decision in regard to the merger of IDC and NDDB. They were informed by the Ministry in a written reply:—

“This Ministry has taken a decision to support the proposal to merge NDDB and IDC. It is envisaged that a new

Statutory Corporation will be formed to take over the functions performed by both the institutions. There will be an endeavour to see that the Corporation has full freedom and flexibility in operation and at par with other financial institutions. The new Corporation will be expected to perform a more wide-ranging role beyond the confines of the Operation Flood project and should provide technical and financial assistance even in areas outside the purview of the Operation Flood. Like the existing institutions, it should continue to be a professionally managed organisation.

1.67 On being asked when the new Corporation was likely to be formed, the Secretary, Department of Agriculture & Cooperation replied in evidence that a draft note has been circulated to other concerned Ministries for their comments which would then be submitted to the Cabinet for approval.

1.68 In their 83rd Report (Fifth Lok Sabha) presented to Parliament in April, 1976, the Committee on Public Undertakings had recommended that in the long run it would be beneficial to bring about merger of Indian Dairy Corporation and National Dairy Development Board. The National Commission on Agriculture had also observed in September, 1976 that the integration of these two institutions was necessary as it would lead to integrated approach, better coordination and economy of operations. The question of merger of the two institutions has since been under examination of Government. In the meantime the Evaluation Committee on Operation Flood II (Jha Committee) in their Report presented to Government in December 1984 had recommended that as the role and functions of IDC are more akin to those of development financing institutions like the National Bank for Agriculture and Rural Development (NABARD), the Industrial Development Bank of India (IDBI) and the Industrial Finance Corporation (IFC) a new statutory Corporation be formed to take over the functions performed by both the institutions. The Committee note that the Ministry has now decided to support this proposal and a note has been circulated to other concerned Ministries for their comments. The Committee recommended that the proposal should be finalised without any further delay as it is already ten years since the recommendation for merger of IDC and NDDB was made by the Committee (1975-76) and its advisability has been recommended by the National Commission on Agriculture and Jha Committee.

1.69 The Committee hope that as recommended by Jha Committee the new Corporation shall have full freedom and flexibility in operation, not less than what the NDDB and IDC have enjoyed so

far and be at par with other financial institutions. It should perform a more wide-ranging role beyond the confines of the Operation Flood Project and provide technical and financial assistance even in areas outside the purview of the Operation Flood. However, the Committee do not agree with the IDC's contention that the new Corporation should also undertake tasks such as oilseeds and fruits and vegetables projects. Admittedly, these functions are totally distinct from Dairy Marketing System.

CHAPTER II

PRODUCTION OF MILK

A Milk Production Data

2.1 Annual milk production in the country was stated to have increased from 21.6 million tonnes in 1969-70 to an anticipated level of 41 million tonnes in 1985-86. The production of milk during the past five years was stated to be as follows:—

<i>Year</i>	<i>Production (million tonnes)</i>
1981-82	33.3
1982-83	34.7
1983-84	37.1
1984-85	38.7
1985-86	41.0(anticipated)

2.2 According to the Jha Committee “the figures of milk production have attracted some criticism and their reliability has been questioned. In actual fact, different authorities have used different techniques for assessing the volume of milk production. In the 1950’s, the Directorate of Marketing and Inspection, Ministry of Agriculture, formed its estimates on the basis of a limited enquiry made from a small group of animal owners. The National Sample Survey Organisation also compiled some estimates from the data collected through their normal channels by the interview method. The inadequacy and unreliability of the available statistics have come in the way of our making as precise an assessment of the progress in milk production enhancement as we would have liked to make.”

2.3 It has also been stated by the Jha Committee that in 1975-76, a scheme was sanctioned for the establishment of a Statistical Cell, with necessary field staff, in the State Directorates of Animal Husbandry, to carry out sample surveys for estimating major livestock production including milk. Field surveys could, however, be taken up only in 14 States. While the estimates of milk production for the years 1977-78 to 1979-80, State-wise and all India, were published by the Animal Husbandry Commissioner, Government of India in September, 1981, the source of those from 1980-81 onwards was the Plan-

ning Commission. While stressing the need for improving both the methodology and the instruments for collecting the relevant data, the Jha Committee suggested that the matter be gone into by an expert body to examine what could be done to get more reliable and authentic estimates and arrangements be made for the collection of milk production data on a continuous basis since no evaluation of the achievements could be made without such data. Bench-mark surveys of milk production in the Operation Flood—II areas be conducted so that the progress made could be properly assessed. That Committee also suggested that steps should be taken to improve the collection of statistics, particularly in Operation Flood areas, so that the progress could be watched and monitored.

2.4 When the Committee desired to know the comments of the Ministry in regard to estimates of milk production, they were informed in a written note that prior to 1977-78, the available estimates in that regard were either those given by the Directorate of Marketing and Inspection or those given by State Animal Husbandry Departments to the Planning Commission. Those estimates were, however, based neither on a representative sample nor on an objective enquiry. In 1977-78, under a Centrally Sponsored Scheme, the State level milk production estimates were prepared based on random sample surveys. At the end of Fifth Five Year Plan (1979-80) the scheme was transferred to State sector. This resulted in (a) States which were not participating did not make efforts to start this activity; (b) stoppage of random sample survey scheme in some States; and (c) some States continued this activity as a non-Plan activity. Again, in 1982, another Centrally Sponsored Scheme was sanctioned for the estimation of production of major livestock products (milk, eggs, wool and meat) and cost of production of milk and eggs with 50 per cent Central assistance. This envisaged provision of financial assistance to States under categories (a) and (b) referred to above.

2.5 In this connection, a representative of Department of Agriculture & Cooperation stated in evidence:—

“Earlier, the milk production estimates in 1951, 1956, 1961, and 1966 were prepared by Central Statistical Organisation (CSO) and from 1970-71 onwards, it is being done by the State concerned, and discussed in the Planning Commission. A centrally sponsored scheme for milk production was taken up in 1977-78 because we felt that our production estimates needed more technical support for taking up this work in a more scientific way. . . . These estimates were worked out on the basis of methodology suggested

by the Institute of Agricultural Research Statistics. Last year we have covered 16 States under this scientific survey and the other States are estimating themselves by way of their own methods."

2.6 Asked to state the basis adopted in such scientific survey, the Committee were informed by the witness that the basic survey was done by the State and was based on random sample survey. In each State 15 per cent of the villages were covered for enumeration of cattle population under the survey. The 15 per cent villages were then distributed depending upon the population in each district. After that, in each district, fifteen villages were selected and then in each village households and the number of animals were selected.

2.7 In regard to the need for further improvement in the methodology, the Secretary, Department of Agriculture & Cooperation stated:—

"...the Government will have to institute the necessary statistical base as suggested by the (Jha) Committee. The statistical base available today is quite inadequate as mentioned by the Jha Committee also. Irrespective of the assistance given by the NDDB, the Government will now have to introduce some statistical method...I propose to have detailed survey done for OF Areas for milk production, which does not exist...the importance of sampling method lies in the extent of supervision of sampling. For example, in crop statistics, a certain percentage is supervised by the National Sample Survey Organisation. I think, we have to find out whether independent persons outside the State Government supervise at least a percentage of the sample. Then, we can find out whether there is a correlation between what he supervised and what he did not supervise...The basic approach is all right. But the margin of error may be higher to the extent where percentage of supervision is lower."

2.8 Asked whether any assessment had been made of the extent of contribution of Operation Flood to the increase in milk production, the Ministry informed in a written reply that no such assessment had been made.

2.9. Although the annual milk production in the country is stated to have increased from 21.6 million tonnes in 1969-70 to 38.7 million tonnes in 1984-85, the Committee find that different authorities have used different techniques for assessing the volume of milk produc-

then. Prior to 1977-78, the estimates of milk production were either those given by the Directorate of Marketing and Inspection or those given by State Animal Husbandry Departments to the Planning Commission. These estimates, according to the Ministry, were based neither on a representative sample survey nor on an objective survey. However, in 1977-78, under a centrally sponsored scheme, the State level milk production estimates were prepared based on random sample surveys but at the end of Fifth Five Year Plan, this scheme was transferred to State sector resulting in stoppage of random sample survey in some States. In the absence of uniformity of methodology, the Committee wonder how far the available statistics in regard to increase in milk production was reliable.

2.10. The Committee feel that even the milk production estimation under the centrally sponsored scheme introduced in 1977-78 is far from satisfactory, as this scheme is neither being implemented in all the States nor the statistical base available for the purpose is adequate. Further, there is no independent check to ensure the veracity of the estimates as is reportedly done in the case of crop statistics. There is, thus, a need for improving both the methodology and the instruments for collecting the relevant data. The Committee recommend that the mechanism for collecting milk production data should be gone into by an expert body with a view to suggesting a scientific and reliable technique for assessing the milk production estimates realistically. The Ministry have admitted that no assessment has been made so far of the extent of contribution made by Operation Flood in the increase of milk production. The Committee, therefore, desire that immediate steps should be taken for conducting bench-mark surveys of milk production in Operation Flood areas to enable a proper evaluation of the contribution made. Further, in order that the assessment of the milk production in the country is realistic which is essential for chalking out long term policy for increasing milk production in the country, there is imperative need for collection of milk production data on a scientific and continuous basis with an independent check to ensure the veracity of the estimates.

B. *Per capita milk availability*

2.11 As per recommendation of Nutrition Advisory Committee of the Indian Council of Medical Research (ICMR), per capita requirement of milk per day is 220 gms. for a nutritious diet. Operation Flood II set a target of achieving an average per capita availability of 180 gms. of milk daily during the 1980's. The target for 1990 is now stated to be 165 gms. per day. In regard to the

actual achievement the Committee were informed that the per capita availability of milk per day in the country in 1951 was 132 gms. which declined to 107 gms. in 1969-70. Thereafter it increased to 144 gms. in 1984-85 and was anticipated to be 147 gms. in 1985-86 against a projection of 153 gms.

2.12 When asked how these figures of per capita availability of milk were arrived at, the Secretary, Department of Agriculture & Cooperation stated in evidence that the information about per capita availability was based on total milk production divided by the human population.

2.13 Asked whether any study has been made in regard to increase in consumption of milk by the weaker sections of society, the Ministry informed the Committee in a written reply that as the milk consumption was related to the purchasing power of the consumer, the per capita consumption of milk by the lower income segment of population was presumed to be less than the national per capita availability of milk. However, no study was undertaken on this subject in the OF areas.

2.14 On enquiry whether study of the milk consumption patterns should not be included in the milk production surveys the Secretary, Department of Agriculture & Cooperation stated in evidence:—

“It is necessary that the scope of the survey is modified to find out this by examining a cross section of consumers to find out the kind of consumption.”

2.15 According to the FAO Production Year Book, 1983, the per capita availability of milk in India was 128 gms. (which increased to 144 gms. in 1984-85) as against 268 gms. in Pakistan, 743 gms. in USA, 1238 gms. in Sweden and 5816 gms. in New Zealand. The low per capita availability is mainly stated to be due to low productivity of Indian cows. The average milk yield per milking cow in India is 538 kg. per year as against 888 kg. in Pakistan, 3400 kg. in New Zealand and 5709 kg. in USA.

2.16 Asked about the reasons for low productivity of Indian cows the Committee were informed by the Ministry in a note that this was mainly due to low genetic potential for milk production in majority of local cattle and their inadequate feeding.

C. Inputs Programme & Health Services

2.17 Milk production enhancement is stated to be one of the central objectives of Operation Flood II. The inputs programme

initiated for enhancing milk production envisages provision of artificial insemination services to produce improved milch animals, animal health cover, feed and fodder development and dairy extension etc. The programme also provides for the production and distribution of fodder seed and cattle feed concentrates. According to the Jha Committee the inputs programme had not made much progress. Out of the envisaged assistance of Rs. 108.46 crores under OF-II, the disbursement of funds by IDC to the federations for the inputs programme was only Rs. 23.47 crores upto March, 1984. During 1984-85 Rs. 8.56 crores were reported to have been disbursed by IDC on Technical Input Programme—Capital assistance for setting up of common services and milk production enhancement programme—initial development cost etc.

2.18 Asked to state the reasons for low disbursements on an important programme like the inputs programme, IDC stated in a written note that the funds provided by the IDC for such technical input services were given on a 70 per cent loan and 30 per cent grant basis. Technical input facilities were available from the State Government through the Departments of Animal Husbandry & Veterinary Services free of costs. IDC encouraged the State implementing agencies to draw upon the State programme, which were available as 100 per cent grant, as they reduced the ultimate cost to the farmer members and improve the financial viability of the unions. Consequently, the drawal of funds by the State implementing agencies from IDC for such technical input programmes were comparatively lower.

2.19 In this connection the Secretary, NDDB stated in evidence:—

“The primary reasons for lack of input programmes is the cost of the input programmes. It is expected that the farmers’ organisation will bear the cost of input programme. It would cost anywhere from 8 to 10 paise a litre. They can spend more money on input programme only if they can recover something from the milk they collect. The inputs have gone up substantially and the expenditure on inputs programmes is also going up and it is this activity in which we do not generate any income and the farmers’ cooperatives would not incur this expenditure when there is only expenditure, and no income. If the operational cost goes down, then they would like to go in for input programme... We did not stop any money for input programme..... money is still available.”

2.20 The Committee have observed that out of 34,520 Dairy Co-operative Societies organised upto March, 1985, only 21,333 Societies provided health cover for the animals owned by the members. According to Jha Committee Report, barring 3 or 4 States, the number of cooperatives providing animal health cover was relatively small and majority of them could not provide health services on the pattern and level envisaged in the Anand Model.

2.21 One of the reasons for all the societies not providing animal health coverage was stated by IDC to be the substantial difficulties being experienced by most of the State federations in recruiting qualified veterinarians. Asked about the extent of shortage of veterinarian, the Secretary, Department of Agriculture & Cooperation stated in evidence:—

“As per our Seventh Plan requirements, there is a need for about 4000 more veterinarians. The present figure is 15,800 and the requirement projected in 1989-90 is 19,600. Accordingly, there is an additional requirement of about 3,800.”

2.22 On being asked as to when the shortage of veterinarians was noticed and what steps were proposed to overcome it, the Ministry informed in a written note furnished after evidence that for the most part of the Sixth Plan, the intake capacity for B.V.Sc. programme remained between 1600-1700 in 22 Veterinary Colleges in 15 major States of the country. During the second half of the Plan period, some shortage of veterinarians was felt as evidenced by lack of response by veterinary graduates to come for jobs under the Government of India and Agricultural Universities, probably due to better pay-scales prevalent in various States for veterinary graduates and job avenues in the private sector. Three States, viz., Karnataka, Tamil Nadu and Madhya Pradesh are reported to have started new colleges during this academic year. The Indian Council of Agricultural Research have also decided to support the establishment of new colleges/expansion of intake capacity of the existing colleges wherever such proposals are supported by manpower requirements in the concerned State.

D. Cattle Breeding

2.23 The Operation Flood II aimed at enabling milk producers to rear a National Milch Herd of some 140 lakh cross-bred cows and up-graded buffaloes during the 1980's. The number of improved female calves born upto 1984-85 was 6.79 lakhs. Asked to state the number of improved milch animals, the Committee were informed

by IDC in a note that from April, 1984 onwards a village enumeration survey was got carried out by it through the State federations. The survey indicated 7.75 lakhs improved milch animals in 110 (where survey was carried out) of the 130 milk sheds.

2.24 In an article entitled 'A Black Lie' by the Chairman, IDC, it was stated that while cashing in on the results of crossbreeding, we must maintain our good Indian breeds in their purest forms. Indian breeds such as the Red Sindhi, Girs, Tharparkar, Sahiwal and Indian buffaloes were excellent animals that were acclimatized to our agro-climatic conditions. If we work with our own breeds, scientifically, we could probably produce animals that were superior to European breeds in Indian conditions. They would also provide us with better bullocks to meet our agricultural needs. It was brought to the notice of the Jha Committee also that cross-breeding was not suitable for draught purposes and resulted in spoiling the indigenous breeds of cattle.

2.25 The Committee desired to know the policy of Government with regard to cattle breeding. The Department of Agriculture and Cooperation stated in a written reply that the policy of cattle breeding for increasing milk production was as under:—

- (i) Genetic improvement of nationally important cattle breeds by selective breeding in their home tracks.
- (ii) Cross-breeding of no-descript, low-producing cattle with overseas dairy breeds. The State Governments have been cautioned not to undertake cross-breeding indiscriminately but to confine this activity to only non-descript, low producing animals.
- (iii) Progressive genetic improvement of important buffalo-breeds by selective breeding and upgrading of non-descript buffaloes in other areas for improvement in milk yields.

2.26 Asked as to how the average lactation yield of the cross-breeds compared with that of Indian breeds in the purest form, the IDC stated in a note that the average lactation yield of the cross-bred cow (non-descript Indian cows X exotic bulls) under field condition varied from 1000—1200 kg. while it could produce upto 2500 kg. under organised farm condition with proper management and feeding. The pure-bred Indian cows like Kankrej, Haryana, Gir, etc. Gave an average lactation yield of approximately 600—800 kg. under the field conditions and some 1200—1400 kg. under organized conditions.

2.27 The Committee were also informed by IDC that the cross-bred cows were more efficient for milk production compared to the pure-bred Indian cows and it took only one generation of breeding to produce a cross-bred cow. According to Ministry, the main characteristics of Indian breeds are of greater disease-resistance and heat tolerance as compared to the European breeds.

2.28 On a query regarding the time required for developing the Indian breeds, IDC informed the Committee in a note that it was expected that it might take some 6 to 8 decades to double the milk yielding capacity of Indian breeds. It was necessary that the existing farms with the State Governments, agricultural Universities and the Indian Council of Agricultural Research followed a well defined policy of breeding and selection of the animals so that the milk yielding capacity of pure bred Indian breeds would gradually continue to increase from the existing levels.

2.29 Asked whether the cross-bred bullocks were suitable for draught purposes, the Secretary, Department of Agriculture and Co-operation stated in evidence:—

“The data which I have gone through indicates that the belief that a cross-bred animal will not be suitable for draught purposes is not entirely correct. Of course, there is some problem but that is not insurmountable.”

2.30 In this connection, the Ministry have also stated in a written reply that the main difficulty in this context was that our farmers were used to working with a humped animal which was missing in the cross-bred animals. This difficulty could be overcome with a proper hitching system which has not yet been popularised within the country. In so far as the work efficiency of the cross-bred animal was concerned, the cross-bred bullocks have been found to be equal if not better than most of the bullocks of non-descript type which were being presently used in a large part of the country. In studies conducted at Karnal as well as at Haringhatta, it has been seen that to get the best results, the cross-bred bullocks should be worked preferably in the cooler hours of the day and hotter hours of the day should be avoided.

2.31 When the Committee enquired whether it was not desirable to undertake projects for scientific development of Indian breeds, the Chairman, IDC stated in evidence as follows:—

“We should develop our own breeds and if we do that we will find a lot of milk. It will be suitable to the Indian climate

and it will have resistance to the disease in Indian conditions."

2.32 In this connection, the Secretary, Department of Agriculture and Cooperation also stated in evidence:

"Cross breeding programme by using the imported variety is only a short term measure which can be used in those limited areas where there is a large cow population.....For example in Maharashtra we find that artificial method is a major thrust, but it is not so in Gujarat or Haryana. Because they have been good yielders in the domestic varietyIt is one of having a judicious blend of all this. There is no question of our neglecting a breed which is traditionally used for draught purposes because the Indian farmer any way continues to depend upon his pair of bullocks. Nor can we neglect our famous buffalo breeds which are very good breeds. We cannot neglect the potential which we have of increasing the milk production much faster by cross-breeding of the cows. So all the three will form the focus."

E. Cattle Feed

2.33 One of the reasons for low productivity of Indian cows was stated to be inadequate feeding. Increasing the milk yields of cattle by improving the production of fodder and supply of feed is one of the ingredients of Operation Flood. Cattle feed compounding capacity of 2,455 MT, 2605 MT and 3289 MT per day was stated to have been created by various plants set up under Operation Flood by the end of 1982-83, 1983-84 and 1984-85, respectively.

2.34 In response to a question regarding capacity utilisation of the cattle feed plants, the Committee were informed in a written note by IDC that the capacity utilisation of these plants under Operation Flood during the peak months was 45 per cent, 51 per cent and 50 per cent in 1982-83, 1983-84 and 1984-85 respectively.

2.35 When asked about the reasons for low capacity utilisation of these plants, the Secretary, NDDB stated in evidence as under:—

"...This feed is a new product which is 30 to 40 per cent cheaper than the traditional feeds like cotton seeds, oil cake etc. Farmers are normally very sceptical about such new products. It takes some time to be accepted....In the next three to four years, it will be fully utilised and many of the plants will have to be expanded also."

2.36 In this connection the IDC has also informed the Committee in a note that new cattle feed plants of 100 MT per day are under construction at Gauhati, Cuttack, Behrampur, Gurdaspur, Madurai and Mydukur. The plant at Surat is under expansion from 100 to 200 MT per day.

2.37 According to the Jha Committee Report, "the vast majority of the cattle in India were fed on agricultural crop residues and natural herbage of low nutritive value. The improved breeds of livestock, in particular, were not likely to exhibit their full genetic potential for production unless fed adequately. It was estimated that the cost of feeding constituted as high as 70 per cent of the cost of milk production. Green fodder provides the cheapest source of nutrients; the National Commission on Agriculture had pointed out the importance and essentiality of green fodder for milk production enhancement, particularly for the improved breeds."

2.38 When asked about the steps being taken to increase the fodder production, the Secretary, Department of Agriculture and Cooperation stated:—

"Most of the farmers find that they do not have enough fodder. One approach which we have now taken up is National Dry Farming Project. We are having an integrated approach of using a part of the land for fodder and making it linked up with families."

2.39 When asked about IDC's views on the need for production of green fodder, the Chairman, IDC stated that the green fodder production should not be unduly encouraged and farmers should not produce fodder by diverting land from food production to fodder production. Dairying should be developed in such a manner that livestock feeding should substantially depend on by-products of agriculture. IDC has developed a Urea Molasses lick to improve digestibility and nutritional value of agricultural waste. This lick, which is made of molasses and some minerals, salt and vitamins, makes the buffalo hungry and it eats a lot of straw which is the main by product of agriculture. The straw becomes a good fodder because urea has got nitrogen which is the basis of protein.

2.40 On being enquired whether the Urea Molasses lick has found acceptability among farmers, the Secretary, NDDB stated as follows:—

"We have four plants of 25 tonnes capacity per day. These plants have just started and it will take some time to use

this concept....We are right now creating a demand setting in demonstration for the farmers to see for themselves how the animals get used to more straw with the urea molasses lick. Previously, if an animal consumed 8 kgs. of straw, now it will consume 15 kgs. and it works out to be economically much better. In fact, the cost of milk production will go down by 20 per cent or so with the application of this technology."

2.41 When the Committee asked whether green fodder was not at all necessary, the Chairman, IDC replied:—

"Some green fodder is necessary for cows. Buffaloes can digest cellulose. For very low yielding animals, you need not give green fodder, but for good cows we must make it available....It increases yield....green fodder is necessary for the Holstein."

2.42. The Committee regret to note that although the total production of milk is claimed to have been substantially increased in the country, its per capita availability still continues to be low. As per the recommendation of Nutrition Advisory Committee of the Indian Council of Medical Research (ICMR), the per capita requirement of milk per day is 220 gms. for a nutritious diet. The target in this regard set under the Operation Flood is stated to be 165 gms. per day to be achieved by 1990. The actual per capita availability of milk was however, only 144 gms. per day in 1984-85. Thus even after more than 15 years of start of the Operation Flood Project the per capita availability of milk in the country remains far below the level recommended by the Nutrition Advisory Committee of ICMR and the prospects of its being achieved in the near future appear to be bleak to the Committee since the per capita target for 1990 of 165 gms. per day is itself much below the minimum of 220 gms. required for a nutritious diet. The Committee would like to stress that an outer time limit should be fixed by when the level of per capita requirement of milk, as recommended by ICMR, is to be actually achieved. Besides, a study should also be conducted in the Operation Flood areas as to what are the factors responsible for low consumption of milk by the weaker sections of society and suitable measures should be taken to remedy this and bring up the consumption of milk by the weaker sections to the minimum nutrient level.

2.43. The Committee have been informed that the main reason for the low per capita availability of milk is mainly due to low productivity of cows because of low genetic potential for milk

production in majority of local cattle and their inadequate feeding. Milk production enhancement is one of the central objectives of Operation Flood-II. The inputs programme initiated for enhancing milk production envisages provision of artificial insemination services to produce improved milch animals, animal health cover, feed and fodder development and dairy extension etc. The Committee are however, constrained to observe that out of the envisaged assistance of Rs. 108.46 crores under OF-II for this purpose, only about Rs. 32 crores were disbursed by IDC upto March, 1984 on this programme. The drawal of funds by the State implementing agencies on this account from IDC which is on 70 per cent loan and 30 per cent grant basis was stated to be low since the latter encouraged these agencies to draw upon the State programmes which were available as 100 per cent grant. The Committee, however, feel that there should be no laxity in the programme for popularising and implementing the important inputs programme which is intended to enhance the production of milk. In this connection, the Committee, also suggest that the Government/IDC may consider the feasibility of liberalising the lending terms as well as of increasing the grant element in this regard.

2.44 The Committee also find that out of 34,520 Dairy Co-operative Societies organised upto March, 1985, only 21,333 societies provided animal health cover for animals owned by the members. Barring 3 or 4 States, the number of cooperatives providing health cover was reported to be small and majority of them could not provide health services on the pattern and level envisaged in the Anand Model. The Committee have also been informed that a shortage of qualified veterinarians has been experienced by most of the State Federations which is expected to be of the order of 3,800 by 1989-90. The Committee desire that immediate suitable steps should be taken to overcome this shortage by expansion of intake capacity of existing veterinary colleges and by establishing new colleges, wherever necessary.

2.45 Operation Flood-II aimed at enabling milk producers to rear a National Milch Herd of some 140 lakh cross-bred cows and upgraded buffaloes during 1980's but the progress made so far to this end is far from satisfactory. According to a village enumeration survey carried out from April, 1984 onwards in 110 out of 130 milk-sheds the number of improved milch animals was only 7.75 lakhs. While viewing the concern the slow progress, the Committee recommend that concerted efforts should be made by IDC for achieving the targetted number of improved cross-bred milch animals with a time bound programme.

2.46 The Committee are informed that cross-bred cow is a more efficient animal for milk production compared to the pure bred Indian cow. It takes one generation of breeding to produce a cross-bred cow. The cross-bred cow drops its first calf at the age of 30 months whereas the pure bred Indian cow drops the calf between 48 to 54 months. However, reservations have been expressed about adoption of cross-breeding in India particularly in regard to the suitability of cross-bred bullocks for draught purposes. Therefore, the Committee feel that if we develop our own Indian bred animals scientifically, we can produce animals superior to European bred. Furthermore, the Indian breeds have greater disease resistance and heat tolerance compared to the European breeds. The Committee, therefore, recommend that there should be a judicious blend of cross-breeding and development of pure Indian breeds. Cross-breeding programme by using the imported varieties should be taken up only as a short term measure and it should be ensured that this activity is confined only to non-descript, low producing animals and not undertaken indiscriminately. In areas, where the domestic varieties have been good yielders, efforts should be made to further increase the milk yielding capacity of pure bred Indian breeds through a well-defined policy of breeding and selection of the animals, as these have greater disease resistance in the Indian climate.

2.47 The Committee are informed that since Indian farmers are used to working with hump animals for draught purposes, the cross-bred animals are not popular with them for this purpose because of absence of humps. This problem can, however, be overcome by developing a proper hitching system. The Committee, would therefore, like to stress that effective steps should be taken by Government/IDC to develop and popularise a hitching system in the country so as to utilise the cross-bred animals for draught purposes.

2.48 Operation Flood Project also envisaged increasing the milk yields of cattle by improving the production of fodder and supply of adequate feed. The Committee regret to note that while the cattle feed compounding capacity went on increasing from 2,455 MT in 1982-83 to 2,605 MT in 1983-84 and to 3,289 MT in 1984-85, the capacity utilisation of these plants even during the peak months was only 45 p.c. 51 p.c. 50 p.c. respectively during these years. Despite this, new cattle feed plants are being set up and the capacity of some of the existing plants is being increased. The Committee cannot but stress that before the new plants are set up and capacity of the existing plants augmented there is urgent need for concerted marketing efforts to popularise this feed which is stated

to be 30 to 40 per cent cheaper than the traditional feeds like cotton seeds, oil cake, etc.

2.49. The Committee appreciate that the Indian Dairy Corporation has developed a Urea Molasses Lick to improve the digestibility and nutritional value of agriculture waste which forms a feed for vast majority of cattle in India. The cost of milk production is expected to go down by about 20 per cent with the application of this technology. The Committee would like to be informed of the results of efforts being made to create a demand for Urea Molasses Lick. At the same time, the Committee, would stress that the importance of green fodder should not altogether be ignored since, as pointed out by the National Commission on Agriculture, green fodder is essential for milk production enhancement particularly for the improved breeds of cows and buffaloes upon which greater emphasis is being laid of late. There should, therefore, be an integrated approach by using a part of the land for production of green fodder to be made available in areas having large number of improved varieties and agricultural wastes (straw) in areas having low yielding animals.

CHAPTER III

PROCUREMENT AND MARKETING

A. Procurement of Milk

3.1 According to IDC, the annual average rural milk procurement during the last five years was as follows:—

1981-82	27.8 lakh kg. per day (lkpd)
1982-83	44.2 " "
1983-84	52.1 " "
1984-85	57.8 " "
1985-86	65.0 " "
	(anticipated)

3.2 The Chairman, IDC informed the Committee in evidence that a stage has been reached when about ten lakh litres of milk was not being collected a day in about six States because there was no market for it. On being asked the reasons for the surplus availability of milk, the witness stated:—

“Surplus of today is the result of the last three years of continuous increase of milk procurement by 20 to 25 per cent over the previous year. It was not expected that such increase will take place. In my view what is worrying me is that we will be able to solve this surplus problem if this 25 per cent increase does not take place next year. Then our marketing would have caught up with the availability of milk what is happening is that our marketing is not adequate”.

3.3 On enquiry whether the matter was brought to the notice of Government, the Ministry of Agriculture and Cooperation informed the Committee in a note that from the discussion with the representatives of the State Dairy Cooperative Federations as also from available reports, it appeared that about 14 to 16 lakh litres of surplus milk per day would be made available to State Dairy Federations of six States viz. Maharashtra, Gujarat, Uttar Pradesh, Haryana, Punjab and Rajasthan beyond their existing handling capacity.

3.4 In this connection, the Secretary, Department of Agriculture & Cooperation also stated in evidence that when this situation was brought to the notice of the Ministry by IDC, a joint meeting was held in January, 1986 with the problem Federations such as Punjab, Haryana, Uttar Pradesh, Rajasthan, Madhya Pradesh, Gujarat and Maharashtra to identify the bottlenecks.

3.5 On enquiry as to what problems were identified at the meeting, the witness stated:—

“There are some dairies not working to full (processing) capacity. I have not analysed the contributory factors. But we have found that there are dairies which can process more, provided their operational and technical problems are solved.... We insisted that the installed capacity should be utilised. Therefore, more milk can be brought.... Other dairies have to add to their capacities. Still others have to market their products more vigorously.... We will have to deal with each Federation separately. That is what IDC and the Government propose to do. Unless the processing facility is there at the chilling centre i.e. pasteurising unit, we cannot do much.. The fourth point is about railway wagons not being often available for transporting milk from surplus areas. Here, if it is attached to Mail and Express trains, faster transport is possible”.

3.6 As regards the action proposed to be taken in the matter, the witness informed the Committee that—

“We are hoping to meet every quarter at least to review the implementation of short term measures. But the question of expansion of capacity is something which is a long-term measure. I think a decision about launching national campaign for marketing will be taken in that meeting.... A specific action plan is to be evolved in the next meeting. We had asked the dairy federations to prepare the action plan.”

3.7 When asked about the figures of processing capacity and its utilisation, the Ministry have furnished the following information in regard to the cooperative/public sector in some of the milk surplus States:—

Name of the state	Estimated milk production (1984-85) (1000 MT)	Average milk production per day (1984-85) (Lakh Ltrs.)	Milk processing capacity per day (Lakh Ltrs.)	Capacity utilisation (Oct. 1985) (%)
Maharashtra	2110	57.80	16.10	62
Gujarat	2640	72.32	28.11	80
Uttar Pradesh	6720	184.10	3.85	73
Haryana	2400	65.75	2.35	85
Punjab	3810	104.98	7.00	62
Rajasthan	3500	96.89	7.40	73

3.8 From the above figures, it would be seen that cooperative/public sector i.e. Milk Cooperatives under State Dairy Federations and Public Sector Units in the States of Maharashtra, Gujarat, Uttar Pradesh, Haryana, Punjab and Rajasthan can only process about 28 per cent, 39 per cent, 2.09 per cent, 3.57 per cent, 6.7 per cent and 7.82 per cent respectively of the milk produced in those States.

3.9 Similarly, the milk drying capacity of the aforesaid six States (in the cooperative sector) was furnished as below:—

Name of the State	Milk drying capacity per day (M.T.)	Capacity utilisation (in October 1985) (per day) (MT)
Maharashtra	48	11
Gujarat	203.50	73
Uttar Pradesh	19.50	46
Haryana	10	63
Punjab	36	47
Rajasthan	40	20

B. Procurement Prices of Milk

3.10 According to the Jha Committee, the capacity of the co-operatives to pay to the milk producers was dependent on the price at which they could sell their milk. If they had a free hand and were sufficiently well-organised, they could well dictate a price which might be higher than what would be justified on considerations of giving them adequate incentives to maximise output and might be judged to be unfair to the consumers. Therefore, State Governments understandably had to concern themselves with the prices charged for milk to urban consumers on the one hand and a fair return to the rural milk producers on the other. Clearly, a balance had to be struck between the two conflicting considerations keeping in view the paramount importance of increasing milk production which was in the interests of both the producer and the consumer. However, at present there was no uniformity of policy in this matter. There were considerable variations in producer as well as consumer prices in different States. The policy framework for determining both producer and consumer prices should be such as to stimulate production and help national self-sufficiency, while raising the levels of per capita consumption.

3.11 That Committee suggested that having regard to the inter-relationship between fodder and other crops and its crucial impact on milk prices, the Agricultural Prices Commission (now Commission for Agricultural Costs and Prices) should be asked to make re-

commendations regarding the price of milk, after taking into account all relevant considerations including cost of fodder and other inputs. Once the producers' price for milk had been determined for a State, the price for the consuming centres within the State would have to take care of the costs of transportation and other overheads.

3.12 Asked about IDC's views in this matter, the Chairman, IDC stated in evidence:—

“There are two major problems here. First, a poor farmer keeps a cow which is not very good, which produces only half a litre per day whereas a rich man has a cow which yields 20 litres of milk a day. Now, with this variation in the per animal production, whose cost of production will be worked out? Because the productivity per animal varies, we have this problem in fixing the price of milk. The second problem is this Most of the costs are imputed costs.....The only real cost that you can measure is the cost of cattle feed purchased. For these reasons, if you ask the Agricultural Prices Commission to fix the price of milk, it will be unfair to some people and favourable to some others and we will be having problems. My own view is that we must follow the policy of market trends”.

3.13 On being asked by the Committee whether there was any agency for coordinating the prices of different cooperatives, the witness stated:—

“No, Sir. There is none.”

3.14 The Committee enquired whether there were any guidelines for fixing the procurement prices of milk. The Ministry stated in a written reply that at present there were no clear guidelines for the determination of procurement prices of milk which was generally determined by the concerned State Government/Cooperative Federation on the basis of market trends keeping specially in view the interests of the producers. The Ministry added that it was necessary to ensure that the producers got remunerative price; simultaneously it was also necessary to safeguard the interests of the consumers.

3.15 In this connection, the Secretary, Department of Agriculture & Cooperation stated in evidence:—

“As regards milk prices strategy, the general policy guidelines should be laid down by Government.... Recom-

mendation of the Jha Committee, as such, is not necessarily implemented but I have requested the CACP to indicate the entire technical background. Broad policy guidelines should be arrived at and discussed with IDC so that they can issue suitable guidelines to the participating federations which we may endorse to the State Governments. But our general approach is that we do not want to really introduce any pricing system."

C. Payment to producers

3.16 The system of procurement of milk under Operation Flood based on the 'Anand Pattern' was stated by IDC to aim at progressive elimination of middlemen and increase the return to milk producers. The basic unit of the Anand Pattern is the village milk producers' cooperative—a voluntary organisation of milk producers in a village. All village milk producers' cooperatives in a district are members of the District Cooperative Milk Producers' Union.

3.17 The Committee have also been informed by the IDC in a note that the time interval between the collection of milk and payment varied according to the unanimous decision arrived at by the respective village cooperatives. However, according to the Jha Committee, in some States, a number of difficulties have been experienced in ensuring prompt payment to the producer which has led to some diversion of milk from the cooperative system to others who not only made quick payment but often gave an advance to the producer in return for a promise of regular supplies. One of the reasons for delays in payments to the producers by the cooperatives was said to be inadequate working capital with the Federation/Unions.

3.18 When the Committee desired to know the comments of IDC on the observations of the Jha Committee with regard to the diversion of milk from Cooperative System to traders due to delayed payment to producers, the Company stated in a note:—

"It is true that one of the reasons for diversion of milk to the trader has been the failure of certain cooperatives to pay farmers within a reasonable time and the fact that the traders have provided advances. Delays in payment have occurred largely owing to the operational losses incurred by the cooperatives and therefore, inadequate working capital resulting in delayed payment. These difficulties have been experienced by most unions in the

States of Madhya Pradesh, West Bengal, Haryana, Orissa and Sikkim and to a lesser extent, in Uttar Pradesh, Bihar and Andhra Pradesh."

3.19 Asked whether there was any machinery available to monitor prompt payment to milk producers, the Committee were informed that the Ministry of Agriculture had issued a circular in May, 1965 to all States for constituting a Committee under the Chairmanship of the Minister for Dairy Development for close monitoring of the implementation of OF-II project in each State. Monitoring of prompt payment to producers was stated to form one of the terms of references of this Committee.

3.20 On enquiry by the Committee as to in how many States such Committees have been formed, the Ministry have stated in a note that such Committees have so far been formed in 14 States and Union Territories viz. Bihar, Gujarat, Haryana, Himachal Pradesh, Jammu and Kashmir, Karnataka, Kerala, Orissa, Tamil Nadu, Sikkim, Tripura, Uttar Pradesh, Andaman and Nicobar Islands and West Bengal.

3.21 When asked why such Committees have not been formed in other States, the Secretary, Department of Agriculture and Co-operation stated in evidence:—

"They have not expressed any difficulty. But I will pursue with them."

D. Milk and Milk Products Order

3.22 In 1965 the NDDB recommended promulgation of a Milk and Milk Products Order to prevent the mushroom growth of dairies, to make it obligatory for every milk plant to be licensed, to ensure economic viability of the dairy plants, and to define milk-sheds for each of the plants. In the long run the order was to help evolution of the National Milk Grid by inter-state flow of milk thereby widening the scope of marketing rurally produced milk; and would help rationalise the manufacture and quality control of milk and milk products. However, due to opposition from the Directorate General of Health Services and Directorate General of Technical Development, the matter was not pursued further.

3.23 At the request of the Ministry of Agriculture, a revised draft of the Milk and Milk Products Order is stated to have been submitted by the NDDB in 1975, but this order is reported by IDC to have not been finalised so far.

3.24 The Committee desired to know the reasons for delay in finalisation of the Order. The Department of Agriculture and Cooperation stated in a note submitted to the Committee that NDDB forwarded a preliminary draft of the Order to be promulgated under Section-3 of the Essential Commodities Act, 1955. The Ministry sought the comments of Ministry of Industrial Development of Health and Family Planning in May, 1976. Subsequently, the Order was circulated to some of the selected State Governments and also General Managers of Delhi Milk Scheme and Mother Dairy in June, 1979. In view of the comments of Directorate-General of Health Services, the Order was subsequently revised by NDDB to bring it under Section 23 of the prevention of Food Adulteration Act, 1954 and the matter was taken up directly by the President, Indian Dairy Association, with the Ministry of Health and Family Welfare in December, 1980. The matter is thereafter under consideration of DGHS.

3.25 In the 7th Meeting of the Steering Committee held on 5 September, 1984, it was decided that NDDB might submit a revised Milk and Milk Products Order in the light of discussion held by them with the Ministry on 7 May, 1984. Accordingly, a revised draft Milk and Milk Products Order to be promulgated under Section-3 of the Essential Commodities Act, 1954 was received from NDDB on 25 July, 1985. On the advice given by the Department of Legal Affairs, comments/clearance of the State Governments to the promulgation of the proposed order has been sought.

3.26 The main objectives of this Order were stated to be as follows:—

- (i) To promote orderly growth of dairy industry in India by regulating collection, handling and processing of milk and manufacture of milk products and to ensure the availability of liquid milk to the consumers especially during the lean seasons.
- (ii) To enable setting up of adequate milk processing and product manufacturing capacities for making available sufficient quantities of liquid milk and milk products. This will facilitate restoring supply of liquid milk and milk products throughout the country in all seasons.
- (iii) To channelise milk collection primarily through producers' owned organisations so as to ensure greater stability in price and supply of liquid milk.

(iv) To ensure sale and distribution of milk and milk products through hygienic and appropriate mode of supply.

3.27 On being asked to state the latest position in the matter, the Secretary, Department of Agriculture & Coöperation stated in evidence:—

"We wanted to promulgate this draft, but we were advised by the Law Ministry that we could seek the opinion of the States. We have taken the view that if no State Government sends the opinion by 15th April, 1986 we will go ahead with the draft. . . . I will see that it is expedited

3.28 The Committee are constrained to observe that about 14 to 16 lakh litres of surplus milk per day is available with the State Dairy Federations of six States viz. Maharashtra, Gujarat, Uttar Pradesh, Haryana, Punjab and Rajasthan mainly due to lack of market and comparatively low handling capacity. Admittedly, the present state of affairs is result of the fact that the marketing efforts have not kept pace with the procurement of milk. Besides, at present the Cooperative/Public Sector units in these six States are able to process only about 28, 39, 2.09, 3.57, 6.7 and 7.82 per centages, of the milk produced. In some cases even the existing processing capacities are not being fully utilised.

3.29 The Committee are of the firm view that to meet the situation in an effective manner, vigorous efforts should be made to develop adequate marketing facilities for handling the surplus milk. Besides, based on an assessment of availability of milk in different areas of these States, the processing capacities should also be augmented, wherever necessary. As a short term measure, however, efforts should be made to optimise the capacity utilisation of existing units, if necessary by having additional shifts. The Committee need hardly emphasise that unless the problems of surplus milk is dealt with with a sense of urgency, not only the consumers would be deprived of benefits of increased milk production but this may also have an adverse effect on the production of milk in surplus areas.

3.30 The Committee are also of the view that there is an urgent need for determining rational pricing of milk as it would ensure not only a fair return to the milk producers but also availability of milk on a reasonable price to the consumers. However, the Committee are distressed to learn that at present no uniform policy is being followed in this regard. There are considerable variations in producer as well as consumer prices in different States. Even

within a State, there is no agency for coordinating the prices of different cooperatives. While it may not be advisable at this stage to enforce uniform procurement prices of milk throughout the country, the Committee must emphasise the desirability of laying down some broad guidelines for determination of procurement prices of milk in different States. Such guidelines should be framed in consultation with the Commission for Agricultural Costs and Prices after taking into account all relevant considerations including the cost of fodder and other inputs. The ultimate objective should be to stimulate production and to achieve self-sufficiency in milk, while raising the levels of per capita consumption. Whereas, prompt payment to producers of milk is very essential for the success of cooperative systems, no positive steps seem to have been taken for this purpose and considerable delays in this regard have been reported in some of the States like Madhya Pradesh, Orissa, Sikkim mainly due to operating losses and inadequate working capital with the Federations/Unions. Such delays have led to the diversion of milk from the cooperative system to traders who not only make quick payment but often give an advance to the producer in return for a promise of regular supplies. The Committee, therefore, recommend that the IDC should work out a scheme to make available some seed/margin money to the Federation facing difficulty of working capital.

3.31 The Committee are informed that the Ministry of Agriculture issued a circular to all States in May, 1985 for constitution a Committee under the Chairmanship of Minister for Dairy Development for close monitoring and implementation of Operation Flood Project in each State. The monitoring of prompt payment to milk producers is also stated to be one of the terms of reference of this Committee. The Committee are also stated to be one of the terms of reference of this Committee. The Committee are also informed that so far only in 14 States/Union Territories such Committees have been formed. The Committee desire that the Ministry of Agriculture should pursue the matter seriously with the remaining State Governments so as to accelerate the process of setting up such committees in those States so that an early solution to the problem of delayed payment to milk producers could be found out.

3.32 The Committee regret to note that the proposed Milk and Milk Products Order in which aims at promoting orderly growth of dairy industry in India and ensuring the availability of liquid milk to the consumers especially during the lean season, still remains to be finalised despite having been revised many a time. The concept of the Milk and Milk Products Order which was first mooted in 1965 by NDDB was not pursued further due to opposition

from the Directorate General of Health Services (DGHS) and Directorate General of Technical Development (DGTD). However, at the request of the Ministry of Agriculture, NDDB submitted a revised draft of the Order in 1975 to be promulgated under the Essential Commodities Act, 1955. In view of the comments of DGHS, the proposed order was further revised to bring it under the Prevention of Food Adulteration Act, 1954. The matter remained under consideration of DGHS since December, 1980. Surprisingly, in 1984 it was decided to promulgate the order under the Essential Commodities Act and NDDB was asked to submit yet another draft which was received from NDDB in July, 1985. Under the advice of the Law Ministry, the proposed Milk and Milk Products Order has now been forwarded to the State Governments for inviting their comments which are still awaited. The Committee deprecate the lackadaisical manner in which the question of promulgating the Milk and Milk Products Order for the growth of dairy development has been treated. The Committee strongly urge the Government to finalise and promulgate this important measure without any further delay.

E. Metro Dairies

3.33 According to Indian Dairy Corporation, Operation Flood Programme envisaged creation of a National Milk Grid covering all Class-I cities for milk marketing. By 1990 it is expected that all 216 Class-I cities within and outside OF area would be covered and linked to the National Milk Grid. The primary objective of creating National Milk Grid was stated to be to facilitate supplies of liquid milk from high potential milk producing areas to the growing demand centres, specifically the four metro-cities of Delhi, Bombay, Calcutta and Madras which have 4 per cent of our human population but account for more than 8 per cent of total consumption of milk and milk products. The OF-I project had envisaged to enable metro dairies in these four cities to capture commanding shares of their milk markets.

3.34 In reply to a question as to how far the metro-dairies in Bombay, Calcutta, Delhi and Madras have been able to capture the market share in these cities, the IDC furnished the following information:—

Cities	Estimated demand 1984-85 (11pd)	Average thruptut (1984-85) (11pd)	Market share %
Madras	7.33	4.24	57
Bombay	22.63	11.45	51
Delhi	17.00	9.50	56
Calcutta	11.10	4.29	39

3.35 It has also been stated that the Calcutta dairies were facing a variety of organisational problems which were an impediment to the procurement of milk. These included problems relating to management, financial viability, timely payment to farmers and fair and remunerative pricing of milk.

3.36 In this connection the Committee are informing by the Ministry in a written reply that a request was received from Government of West Bengal that there should not be reduction in the supply of skimmed powder by the Indian Dairy Corporation for the Greater Calcutta Milk Supply Scheme till such time when the procurement of raw milk registered a significant increase. Request of the State Government was examined and they were informed that the IDC was supplying commodity to various dairies on the basis of the policy approved by the Ministry so that there was no disruption in the milk supply. The Greater Calcutta Milk Supply Scheme should make all out efforts to procure fresh milk and the shortfall might be met through the commodities to be supplied by IDC. Adoption of such an approach would reduce dependence on donated commodities.

Mother Dairy, Delhi

3.37 Mother Dairies at Delhi, Bombay, Calcutta and Madras are owned by the Government of India, Governments of Maharashtra, West Bengal and Tamil Nadu Cooperative Milk Producers' Federation, Madras, respectively.

3.38 The proposal for determining the agency which would run Mother Dairy in Delhi as stated to be under consideration of Government since 1973. Meanwhile, the Dairy was ready for commissioning and the Ministry of Agriculture decided that until a final decision was taken in the matter, the NDDB which had constructed the Dairy on a turn-key basis, should run the Mother Dairy in Delhi. The Committee were informed in 1975 that at the instance of the Ministry of Agriculture, IDC had submitted a proposal to the Ministry for setting up of a subsidiary of IDC to run the Mother Dairy at Delhi. Draft Memorandum of Association etc. of this company were also prepared and comments of various concerned Ministries obtained thereon. In the meantime a proposal was mooted to form an independent company. In 1980, it was stated that after examining certain observations relating to the legal status of Mother Dairy raised by Ministry of Law, a final decision would be taken regarding the necessity of entrusting its management to an independent company. However, the Mother

Dairy, Delhi owned by Government of India is still being operated on management basis by NDDB which charges a management fee of Rs. 2,000 per day.

3.39 The Committee desired to know the observations of the Law Ministry on the legal status of Mother Dairy, Delhi and the reasons for delay in arriving at a final decision in the matter. They were informed by the Ministry that the Law Ministry observed in April, 1980 that the legal status of Mother Dairy as an entity needed to be clarified. The Delhi Mother Dairy was in the nature of a Central Government Departmental "undertaking" without being a legal entity or having an independent legal existence. In view of the legal complexities involved, it was suggested that the advisability of an appropriate statute could be considered. At this stage, in August, 1980, a proposal emerged for the take over of Mother Dairy by IDC/NDDB. However, in the meantime, it was decided that a separate company should be set up but as an interim measure, the Mother Dairy should become a Departmental Undertaking and subsequently a Company. Later, in this connection a proposal was also thought of to hand over Mother Dairy to the Delhi Administration.

3.40 Asked about the latest position in the matter, the Secretary, Department of Agriculture & Cooperation stated in evidence:—

"The alternatives are that the State administration takes it or the National Milk Marketing Federation takes it because there is no State Federation. Right now I do not think we are actively considering either of these two possibilities. This is a policy matter for the Government to decide."

Third Dairy in Delhi

3.41 A project report is reported to have been prepared by the NDDB in June, 1979 for setting up of a third dairy in Delhi at a cost of Rs. 965 lakhs and having a capacity of 4 lakh litres per day. The dairy would be designed and set up by the NDDB and managed by the National Cooperative Dairy Federation of India. However, the location of the site has not been finally decided.

3.42 Explaining the delay in selecting a site, the Ministry stated that the main reason was the availability of a suitable piece of land measuring about 40 acres for the Dairy. The plot measuring about 10 acres offered by the Delhi Development Authority in 1979 was not adequate enough to locate the Dairy. Another site

in the Mathura Road in the Okhla Industrial area Phase II was earmarked in 1983 by the DDA for the Dairy which was found to be suitable. But the same was not allotted. In May, 1984 the DDA offered a plot of 40 acres in the Najafgarh area. This plot was however, not found suitable after inspection by a team of officers.

3.43 In a meeting chaired by Secretary of Ministry of Agriculture on 5th September, 1985, it was decided to constitute a group for locating and selecting a suitable site. The DDA was stated to have located a site on Rohtak Road. In case it was approved by the group, the DDA would take further action to acquire the site. The report of the group was expected to be available by April, 1986.

3.44 In reply to a query about the cost of this dairy, the Committee were informed by Ministry that the dairy was estimated to cost Rs. 12 crores.

3.45 Phase-I of Operation Flood Project envisaged enabling metro dairies in four major cities of Delhi, Bombay, Calcutta and Madras to capture commanding shares of their milk markets. The Committee, however, find that even at the end of Phase-II of the project in 1984-85 the market share of the Metro Dairies was 57 per cent in Madras, 51 per cent in Bombay, 56 per cent in Delhi and only 39 per cent in Calcutta. Particularly low market share of Calcutta dairy is stated to be because of impediments to the procurement of milk caused by a variety of organisational problems including those relating to management financial viability, timely payment to farmers and fair and remunerative pricing of milk. The Committee would like to stress that the Government/IDC should take immediate steps, in consultation with the State Federations to tackle the problems which are hampering the progress of procurement of milk so that the four Metro Dairies are able to achieve the assigned task of capturing the commanding share of milk.

3.46 The Committee feel concerned to note that the question of determining the agency which should run the Mother Dairy in Delhi has been under consideration of Government since 1973 but final decision has not yet been taken. Several proposals were examined by Government from time to time including setting up of a subsidiary of IDC to run the Mother Dairy at Delhi, formation of an independent company, taking over of the Dairy by IDC/NDDB, converting the Dairy into a Departmental Undertaking or handing it over to the Delhi Administration. However, the NDDB who were entrusted the management of the dairy as an interim measure still continue to manage this dairy and charge Rs. 2000/- per day

as management fee. The Committee feel that Government do not have a will to solve this problem otherwise this matter would not have been kept hanging fire for all these years. The Committee desire that a final decision in the matter should be taken immediately and Committee informed.

3.47 The Committee also deprecate the delay in selection of site for a third dairy in Delhi with a capacity of 4 lakh litres per day, the project report for which was prepared by NDDB as early as in 1979. This delay has already led to an increase in estimated cost of the dairy from Rs. 9.65 crores to about Rs. 12 crores, and the Committee are sure that the cost will go up still further if decision is further delayed. The Committee desire that group which has been set up for the purpose should finish the task assigned to it expeditiously and a final decision about the site for the setting up of third dairy in Delhi should be taken by Government without any further delay.

CHAPTER IV

UNITS OF IDC

A. Foot and Mouth Disease Vaccine Plant

4.1 Foot and Mouth Disease (FMD) is stated to be one of the most contagious diseases affecting cloven footed animals and India annually loses about Rs. 400 crores in milk yield and about Rs. 110 crores in draft capacity due to the outbreak of this disease among cows and buffaloes.

4.2 Indian Immunologicals, Hyderabad, a unit of IDC was set up at revised estimated cost of Rs. 19.93 crores against the original cost estimates of Rs. 18.10 crores. It started production of the Foot & Mouth Disease Vaccine (FMDV) in May, 1983. The plant had an annual capacity of 25 million quadrivalent doses, while the production capacity of the vaccine in the country before Indian Immunologicals was set up was estimated to be 20.2 million doses per annum.

4.3 In reply to a query about the actual off-take of this vaccine the Chairman, IDC stated in evidence that the total off-take of FMD vaccine in the country during the last four years i.e. from 1981-82 to 1984-85 was estimated to be 22 million doses, 1.8 million doses, 2.9 million doses and 7.5 million doses, respectively.

4.4 The Committee desired to know the considerations on which the Indian Immunologicals was set up when the off-take of the FMD vaccine was much below the then existing capacity in the country. The Department of Agriculture & Cooperation informed in a note that a Task Force constituted in 1977 by the Indian Council of Agricultural Research for an in-depth study on the requirements of FMD vaccine estimated that the requirement of FMD vaccine by 1985 would be to the tune of 85 million quadrivalent doses. In 1977, the production capacity for the production of FMD vaccine was around 4.5 million quadrivalent doses. In order to ensure that the country was able to meet the requirements of the FMD vaccine by 1985 as determined by the Task Force, recommendations were made for issuing the licence to the Indian Immunologicals to manufacture vaccine with an annual capacity of 25 million quadrivalent doses of vaccine.

4.5 The production of FMD vaccine at Indian Immunologicals was 9.57 million doses during 1983-84 and 2.46 million doses during 1984-85. On being asked about the reasons for low production, IDC stated in a written reply that the production had to be kept low due to demand constraint, because of some controversy, over the strain to be incorporated in the vaccine.

4.6 In regard to the controversy, the Animal Husbandry Commissioner informed the Committee in evidence that "when Indian Immunologicals got the sanction for the production of the vaccine, they wanted to find out which type of vaccine containing 'A' strain should be produced by them. All the vaccine manufacturers in India have been using A-5 or A-10 strain. IDC collected some field samples and sent them to the World Reference Laboratory (WRL), Pirbright, UK and it was found that A-22 strain was predominant and not A-5 or A-10."

4.7 According to IDC when it was brought to the notice of the Ministry that the Animal Virus Research Institute, Pirbright, UK, has recommended that "the quadrivalent vaccine should contain type A-22 and not type A-5 as is being recommended by the ICAR and the present FMD vaccine manufacturing units in the country". Accordingly, the matter was discussed in a meeting held on 8th June, 1982 under the Chairmanship of the Joint Secretary (Dairy Development). In this meeting the representative of the Animal Virus Research Institute, Pirbright, informed that the results of recent work at AVRI showed that all the samples received from India in the last two years have tended to be closer to a known A-22 strain than to a known A-5 strain. Since the representative of the All India Coordinated Research Project (AICRP) on FMD maintained that the A-5 strain should be incorporated in the vaccine, it was agreed at the meeting that the ICAR through its AICRP on FMD should make available samples of A-5 strain isolated by them stored in their virus banks so that they could be sent to the World Reference Laboratory, UK for confirmation.

4.8 On being asked whether the samples were made available, the IDC stated in a note that two samples were sent to the World Reference Laboratory which were obtained from the Hissar Typing Unit of the All India Coordinated Research Project on FMD. These two samples were considered to be A-5 by the Hissar Unit. The subtyping results from the World Reference Laboratory indicated that these were related to A-22 and the results were communicated to the Project Coordinator, All India Coordinated Research Project (AICRP) on FMD. Subsequently, five more type

'A samples received from the Maharashtra centre of the AICRP on FMD were sent to the World Reference Laboratory in November, 1982. Only two of these samples were found viable. One of them was subtyped and found related to A-22. No more samples were received for onward transmission to AVRI.

4.9 In 1982 IDC decided to proceed with incorporation of A-22 strain in the quadrivalent vaccine based on the advice of its foreign collaborator Welcome Foundation Ltd. and the World Reference Laboratory. In November, 1983, when Indian Immunologicals commenced marketing, the Animal Husbandry Commissioner reportedly advised Directors of Animal Husbandry at a meeting in Tirupati that they should not use quadrivalent FMD vaccine containing A-22 strain and that only vaccines containing A-5 strain should be used. As a result, no Department of Animal Husbandry was willing to buy Indian Immunologicals vaccine, 'Raksha'. In a letter dated 3rd January, 1984 sent to the Animal Husbandry Commissioner, the Additional Secretary, NDDB stated that his advice to the Directors of Animal Husbandry had resulted in a setback in the sale of 'Raksha' Vaccine in the Southern States.

4.10 Asked to state whether the Animal Husbandry Commissioner was aware of the controversy, the Chairman, IDC stated in evidence:—

"I can only say that the Animal Husbandry Commissioner was fully aware as soon as this controversy arose."

4.11 However, when the Committee desired to know from Animal Husbandry Commissioner whether any advice was given by him not to use vaccine manufactured by Indian Immunologicals, the witness stated in evidence:—

"No directive or advise has been issued by me in this regard."

4.12 Asked to state whether any meeting of the State Directors of Animal Husbandry was held at Tirupati, the witness stated:—

"We do not have any record."

4.13 In reply to a query regarding the cost of the vaccine, the Chairman, IDC stated in evidence:—

"We discovered that the vaccine which we could make would cost only Rs. 2.50 per dose..... the others also had to reduce their price from Rs. 12 to about Rs. 3½."

4.14 The Committee enquired about the steps taken by the Ministry to resolve the controversy. They were informed in a note submitted by the Ministry that NDDB in its letter of 3rd January, 1984 asked that this problem should be discussed and resolved at the next ICAR workshop on FMD to be held in Hyderabad in next February. However, the ICAR, which is the nodal agency for related research on FMD informed the Animal Husbandry Commissioner on 8th March, 1984 that in view of the experience gained with the use of quadrivalent vaccine incorporating, O, A-5, C & ASIA-I viruses during the last couple of decades and with the available epidemiological data obtained from the different parts of the country, it would not be desirable to change the composition of the FMD virus types incorporated in quadrivalent vaccine. Further ICAR recommended that monovalent vaccine incorporated FMD type A-22 should be made available, wherever necessary, especially so in strategic areas. To sort out the controversy between ICAR and NDDB, it was felt that the matter needed an in-depth technical analysis by a high powered technical group before a final decision was taken by the Ministry of Agriculture. Accordingly a task force was appointed by the Ministry in March, 1985 under the Chairmanship of Dr. M. N. Menon, Ex-Animal Husbandry Commissioner. The Committee submitted its report in July, 1985. The Committee *inter-alia* recommended that "Foot and Mouth Disease virus of A-22 subtype is the preponderant strain of serotype A, active in the country and, therefore, it is logical to incorporate the appropriate immunogenic strains of A-22, O, C and Asia-I in all FMD quadrivalent vaccines despite claims to the controversy that A5/A10 also are prevalent and have to be included to ensure proper antigenic coverage. Such claims are, however, made without sufficient substantiating evidence. Current Indian A-22 strains should, however, be closely investigated."

4.15 Based on these recommendations the Ministry of Agriculture requested the Drug Controller of India in January, 1986 that the manufacturers of FMD vaccine should be informed that it has now been decided that in view of the preponderance of A-22 virus in the field outbreaks of FMD this should be incorporated in the FMD quadrivalent vaccine. The choice of A-22 strain, however, should be left to the manufacturer's judgement, but the strain should have arisen from Indian isolates. Further, depending upon the experience of manufacturer and the local needs, A5/A10 strain might also be incorporated in the form of pentavalent vaccine or produced as monovalent vaccine so that immunity already established was not adversely affected and possible upsurge of A5/A10 in outbreaks was avoided. Such A5 strains should also be

from Indian isolates. It was also decided that the recommendation would be made known to all the State Animal Husbandry Departments and users of FMD vaccine, since much publicity had been given to the use of vaccine only containing A-5 strains.

4.16 Asked to state whether it has not taken too long to resolve the controversy, the Secretary, Department of Agriculture & Co-operation stated in evidence:—

“They should have resolved this controversy much faster.”

4.17. The Committee note that in 1977 when the production capacity of the Foot and Mouth Disease (FMD) Vaccine in the country was 4.5 million doses, a Task Force appointed by the Indian Council of Agricultural Research estimated that the requirement of FMD vaccine by 1985 would be to the tune of 85 million doses. Based on these estimates, Indian Immunologicals, a unit of IDC was issued a licence to manufacture FMD vaccine with an annual capacity of 25 million quadrivalent doses of vaccine. However, the Committee are surprised to find that the actual off-take of the FMD vaccine in the country during the years 1981-82 to 1984-85 was estimated to be 2.2 million doses, 1.8 million doses, 2.9 million doses and 7.5 million doses respectively. Since India is stated to be losing annually about Rs. 400 crores in milk yield and about Rs. 110 crores in draft capacity due to the outbreak of Foot and Mouth disease among cattle and buffaloes, the Committee feel that an analysis should be made of the factors responsible for the actual off-take of FMD vaccine being far below the estimated requirements and the Committee apprised of the results of analysis.

4.18 The Committee are concerned to note that Indian Immunologicals set up in May, 1983 at an estimated cost of Rs. 19.93 crores had to drastically cut the production of FMD vaccine (9.57 million doses during 1983-84 and 2.46 million doses during 1984-85) due to unseemly controversy over the 'A' strain to be incorporated in the vaccine. Based on the results of field samples sent to the World Reference Laboratory (WRL), Pirbright U.K., the IDC decided to proceed with incorporation of A-22 strain in the quadrivalent vaccine while the other Indian manufacturers of FMD vaccine were using A-5 or A-16 strain. At a meeting held in June, 1982 it was brought to the notice of Government by a representative of the Animal Virus Research Institute, Pirbright that the results of recent work at AVRI had shown that all the samples received from India in the last two years had tended to be closer to a known A-22 strain than to A-5 strain. However, the representative of the All India Coordination Research Project (AICRP) on FMD maintained

that the A-5 strain should be incorporated in the vaccine. In spite of this disagreement no serious efforts appear to have been made by Government to resolve the issue apart from sending some more samples to the World Reference Laboratory. It was only in March, 1985 that a Task Force was appointed for an indepth technical analysis. Based on the recommendations of this Task Force, the Ministry of Agriculture decided in January, 1986 that manufacturers of FMD vaccine should be informed that in view of the preponderance of A-22 virus in the field outbreaks of FMD, this should be incorporated in the FMD quadrivalent vaccine. There was, thus, considerable time wasted in resolving the controversy as was admitted in evidence by the Secretary, Department of Agriculture and Cooperation that "they should have resolved the controversy much faster." The Committee deprecate the inordinate delay in arriving at a decision regarding incorporation of 'A' strain in the FMD vaccine which not only adversely affected the marketing of 'Raksha' vaccine produced by Indian Immunologicals which contained A-22 strain but also seriously hampered efforts to control the Foot and Mouth Disease. The Committee hope that the recommendations of the Task Force have been given wide publicity among State Animal Husbandry Departments and users of FMD vaccine so as to clear the prevailing misunderstanding with regard to the usefulness of the vaccine manufactured by Indian Immunologicals.

B. Hindustan Packaging Company

4.19 In June, 1973 the Ministry of Industrial Development issued a Letter of Intent to IDC for setting up a unit for manufacture of Tetrapak Paper and approved the proposal for foreign collaboration with M/s. Tetrapak International. Tetrapak milk, it was stated, could be stored and transported without refrigeration because of its long life. The Planning Commission also made a provision for Rs. 3 crores for setting up of a factory for manufacturing Tetrapak paper. However, the Ministry of Agriculture later decided to drop the proposal in view of the foreign exchange element in the project, possibility of pollution, higher sale price of milk, uncertainty about the quality of milk in hot weather etc.

4.20 On the recommendations of the Committee on Public Undertakings contained in their 83rd Report (Fifth Lok Sabha), the proposal (submitted by IDC in June, 1977) was considered again and the Expenditure Finance Committee cleared the proposal on 5th December, 1977 as a part of Operation Flood II. The Government's approval was issued in July, 1979. The formation of a company, viz. Hindustan Packaging Company was approved by the Cabinet in November, 1984.

4.21 When the Committee desired to know the reasons for delay of two years in approval of the project, the Secretary, Department of Agriculture & Cooperation stated in evidence:—

“ OF-II was cleared on 12th June, 1978. It was inter-linked.”

4.22 The capital cost of the project as per the proposal submitted by IDC in June, 1977 was Rs. 259.06 lakhs. The cost was revised in July, 1980 to Rs. 477.83 lakhs. The Expenditure Finance Committee, however, approved the revised capital cost of Rs. 450 lakhs only.

4.23 When asked about the reasons for increase in cost of Rs. 190.94 lakhs, the IDC stated in a written reply that the increase was due to increase in the scope (Rs. 41.79 lakhs), staff quarters (Rs. 45.40 lakhs), Price escalation (Rs. 87.75 lakhs) and inaccuracy in original estimates (Rs. 16.00 lakhs).

4.24 The Paper Laminating Plant which was to be commissioned by August, 1981 was actually commissioned in July, 1983. Asked as to why the commissioning of the plant was delayed, the Committee were informed by IDC in a note that the commissioning trials of the plant commenced in July, 1982 after installation of permanent power connection. The plant was commissioned with locally developed material. The indigenisation of raw material specially polyethylene and paper took considerable time. The commercial production after long trials commenced in July, 1983.

4.25 The capacity of the Paper Laminating Plant is 700 million tetrahedron packs of 500 ml. per annum which was to be fully utilised during the fourth year onwards. The production at the Plant was 5.15 million packs and 10.16 million packs during 1983-84 and 1984-85, respectively. The targets of annual production from 1985-86 onwards were stated to be as follows:—

1985-86	51 million packs
1986-87	56 million packs
1987-88	156 million packs
1988-89	249 million packs
1989-90	312 million packs

4.26 When asked about the reasons for low capacity utilisation of the plant, the Ministry stated in a written reply that the Paper Laminating Plant was set up to produce 700 million packs which would be required to feed 45 tetrapak machines. These machines were to be obtained in two phases. The implementation of the
710 LS—5.

first phase of setting up sixteen machines got delayed as there were technological problems faced with the commissioning of the machines and it took time to sort out these problems. IDC was now proceeding with the second phase of putting up additional packaging stations.

4.27 In regard to the technological problems, the Secretary, NDDB, informed the Committee in evidence as follows:—

“There are two units involved—One is paper lamination. The paper is used by the dairies to pack milk. For taking milk there are machines supplied by the same collaborator..... when we saw that we were unable to produce long life milk, we went into the problem and enquired into it. We looked at, as to what was the problem at Surat Dairy. They said, they are operating according to the recommendations made by Tetrapak. They (Tetrapak) came and looked at the machine..... It was something wrong with the sequencing of the valves which were probably wrongly fitted by the collaborator.....they spent a lot of money. They corrected the system and the Surat Dairy have been able to run the system properly. But the others became sceptical as to whether the system works properly or not.”

4.28 In reply to another query the witness informed the Committee that this problem was sorted out a year ago. The Committee then enquired as to why the targeted capacity utilisation has been kept low upto 1989-90, the Managing Director, IDC stated in evidence:—

“It is to feed ten packaging stations.....Three have been commissioned and the fourth one is to be commissioned any time, as soon as they get permanent power supply.....The other six stations have been planned, out of which two would be commissioned in the next six months’ time.”

4.29 On enquiry as to when the full capacity of the Paper Laminating Plant would be utilised, the Secretary, NDDB stated:—

“We can use full capacity only after ten packaging stations have been set up. Now only three stations have been set up so far.”

4.30 The Committee desired to know how the remaining capacity would be utilised till then. They were informed by the Min-

stry in a note that the remaining capacity was proposed to be utilised for manufacture of flexible laminates. There were indications that the fruit juice drinks, vegetable oil and other non-dairy sectors would also be increasingly using these packing materials. It was, therefore, hoped that it would not only be possible to reach full capacity but an expansion of plant might also be required.

4.31 IDC informed in this connection that it had approached the Government in December, 1983 for necessary permission to utilise spare capacity of the plant for the manufacture of flexible laminate besides manufacturing laminated paper for aseptic packaging. In May, 1984 DGTD recommended the case to Ministry of Industry on the ground that production was by a public sector unit and would indirectly help the cooperative units, though this item was reserved for small scale units. Government rejected the proposal in July, 1984 because manufacture of "Flexible Laminates" is reserved for small scale sector.

4.32 On being asked whether the matter was brought to the notice of Ministry of Agriculture, the Ministry stated in a written reply that the IDC requested the Ministry to take up the proposal with the Ministry of Industry for their reconsideration. The proposal was examined and recommended to the Ministry of Industry on 23rd January, 1985. The matter was pursued at the level of Secretary (A&C) in May, 1985. The Ministry of Industry informed that the approval of the proposal would militate against the policy of reservation of items for exclusive development in the small scale sector but agreed to examine further the point that it was exceedingly difficult to procure quality lamination equipment within the investment limit prescribed for small scale sector. Meanwhile IDC requested for permission to manufacture items such as; (a) Paper-Polyethylene-Aluminium Foil Laminated sandwiched; (b) Paper-Polyethylene—other films Lamination sandwiched; (c) Paper-Polyethylene—HD Mesh Lamination sandwiched; and (d) HDPE Mesh—Polyethylene Lamination straight, etc., which were not reserved for the small scale. The Committee have been informed that the matter has been taken up with the Ministry of Industry.

4.33 When the Committee desired to know the latest position in the matter, the Secretary, Department of Agriculture & Cooperation stated in evidence:—

"I have to go to the Cabinet to make an exception for IDC's requirement. Therefore, it would not be fair to allow IDC to keep its capacity idle on the basis of various"

licensing restrictions. I am intending now to take it up at the higher level.'

4.34 The Committee are informed that Tetrapak milk can be stored and transported without refrigeration because of its long life. Although the Indian Dairy Corporation was issued a Letter of Intent in June, 1973 for manufacture of Tetrapak Paper in collaboration with Messrs. Tetrapak International and a provision of Rs. 3 crores had been made by the Planning Commission for setting up of a factory, the proposal was subsequently dropped. However, on the basis of recommendations of the Committee on Public Undertakings contained in their 83rd Report (5th Lok Sabha), the proposal was again revived. The Committee regret to point out that the Government's approval to the project was given only in July, 1979 when the Expenditure Finance Committee had cleared it in December, 1977, and the project must have also been examined by Government while issuing the Letter of Intent in 1973.

4.35 The Committee find that not only was the approval of the Tetrapak Project delayed, the commissioning of the Paper Laminating Plant for manufacture of laminated paper also got delayed. The Plant scheduled to be commissioned by August, 1981 was commissioned only in July, 1983. As a result the estimated cost of the project increased from Rs. 259.06 lakhs to Rs. 450 lakhs due to price escalation, increase in scope and inaccuracy in estimates. The Committee strongly deplore this inordinate delay.

4.36 The Committee are also concerned to note that against a capacity of 700 million tetrahedron packs, the production of the Paper Laminating Plant was only 5.15 million packs and 10.16 million packs during 1983-84 and 1984-85 respectively. Whereas the plant was expected to attain full capacity utilisation during the fourth year of operation, the target fixed for production even during 1989-90 is 312 million packs. This utterly low capacity utilisation is stated to be due to the delay in setting up of packaging stations which are to utilise the laminated paper produced at the Plant. Of the ten such packaging stations needed for running the Paper Laminating Plant to full capacity, only three have so far been set up. The Committee need hardly point out that had the setting up of these packaging stations been properly planned to synchronise with the Paper Laminating Plant, the Plant set up at a cost of Rs. 4.5 crores would not have remained largely underutilised. They desire that every effort should now be made to setup the remaining packaging stations at the earliest.

4.37 In order to utilise the excess capacity of the Paper Laminating Plant, the IDC approached the Government in December, 1983 for permission to manufacture flexible laminates besides manufacturing laminated paper for aseptic packaging. The proposal was rejected on the grounds that manufacture of flexible laminates is reserved for small scale sector. The Ministry of Agriculture again recommended the proposal to the Ministry of Industry in January, 1985 pointing out that it is exceedingly difficult to procure quality lamination equipment within the investment limit prescribed for small scale sector. No decision has so far been taken in the matter. The Committee desire that the matter should be sorted out at the earliest, if necessary at the highest level. They also recommend that IDC should be given permission to utilise its idle capacity by manufacturing at least those items which are not reserved for small scale sector and for which the Company has already approached the Government.

NEW DELHI;
 April 29, 1986
 Vāisakhā 9, 1908 (Saka)

K. RAMAMURTHY,
 Chairman,
 Committee on Public Undertakings.

APPENDIX

Statement of Conclusion/Recommendations of the Committee on Public Undertakings contained in the Report

Sl. No.	Reference to paragraph No. in the Report	Conclusions/Recommendations
1	2	3
1.	1.47 —1.48	<p>Under the Operation Flood-I, started in July, 1970, the World Food Programme (WFP) agreed to supply free of cost, at Indian Ports 1,26,000 MT of skim milk powder and 42,000 MT of butter oil. The project originally scheduled to be completed in 1975 was expected to generate Rs. 95.4 crores by sale of imported gifts, commodities and setting up of Mother Dairies which were to convert these commodities into milk and then into cash. The funds so generated were to be invested in dairy development, enabling to metro dairies in the four major cities to capture commanding shares of their milk markets. As a result of upward revision of sale value of the commodities, the actual generation of funds under the project was Rs. 116.4 crores.</p> <p>The Committee note that the OF-I submitted to Government in November, 1968 was cleared only in September, 1969. What is more distressing is the fact that the project originally expected to be completed in 1975 was actually completed in March 1981. Apart from the delay in supply of commodities by the WFP, there was delay in setting up the Mother, Diaries which were to generate funds. While the decision to develop the bulk vending machines indigenously instead of importing them as originally planned is commendable, the Committee see no justification for the long time taken in developing these machines which resulted in avoidable delay in implementing</p>

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the programme. The Committee would stress the need for proper advance planning and timely implementation while undertaking such important projects in future.

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The Committee note that Operation Flood II proposal envisaged its implementation in two parts. The pre-programme actions required for launching the project were to be carried out during July, 1977 to June, 1978 and OF-II itself was to be implemented during July, 1978 to June, 1985. However, the pre-project phase took much longer time than originally contemplated time of one year to complete mainly because most of the States are stated to have taken longer time in completion of such formalities as signing of basic agreements, constitution of State Cooperative Federations, preparation of individual State dairy development project proposals, etc. and technical support and energies of the NDDB and IDC were directed towards completion and closing of OF-I.

The Committee feel that as the Operation Flood II was to be a logical continuation of Operation Flood I, it should have been possible for the Government to persuade the State Governments to expedite these pre-programme actions and avoid delays in starting OF-II. The Committee also see no justification for adopting the starting date of OF-II as 1 April, 1981 when many of the States had signed the agreements in 1978 and 1979. Besides, the programmes to be implemented under OF-II should have also been started simultaneously even though OF-I had to be extended upto 1981.

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The Committee observe that the programme dimensions of Operation Flood-II were initially set for a time period of 8 years including a pre-programme year, the actual project duration envisaged being 1978-85. The approved outlay of the project of Rs. 485.5 crores included Rs 206

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crores expected to be generated from gifts of 1,86,000 MT of skim milk powder and 76,200 MT of butter oil to be received from European Economic Community and IDA credit for US \$ 150 million. Subsequently, the project was split into two phases. Phase-I with an outlay of Rs. 273 crores ran concurrently with the Sixth Plan period and was completed in March, 1985. Phase-II of Operation Flood-II (also called Operation Flood III) is to be implemented concurrently with the Seventh Five Year Plan and scheduled to be completed by March 1990. Thus the project, the start of which had already been delayed by three years has now effectively been extended from 1985 to 1990. Not only has the duration of the project been extended, the total outlay on Phase-I and Phase-II of OF-II has also been increased considerably from Rs. 485.5 crores to Rs. 958.46 crores, reportedly to providing funds for foot and mouth disease control programme, supplementary feeding programme, working capital support to federation, etc. As against the original proposal to cover 155 districts, the project is now expected to cover some 248 districts.

The Committee are constrained to observe that in spite of the fact that the project will now cover a wider geographical area with an increase in outlay by about 97 per cent and also its completion time having been extended upto 1990, the targets in physical terms remain more or less the same. Also the targets for other components of the project like coverage of farmers families, number of milch animals to be brought under cooperative ambit, rural milk procurement and rural processing capacity have not been revised upwards. Admittedly, this amounts to the dilution of the programme. The Committee, therefore, suggest that the targets of the project should be reviewed and revised upward commensurate with the extension of time frame and coverage of the larger number of districts.

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4	1.53 1.54	<p>The Committee have been informed that out of the total revised project cost of Rs. 985.46 crores (including both Phase II and Phase III of Operation Flood Project) Rs. 277.17 crores is estimated to have been disbursed upto March, 1985. The balance amount of Rs. 681.29 crores is proposed to be spent for implementation of Phase III of the project during Seventh Plan period i.e. 1985-86 to 1989-90. Apart from Rs. 238.18 crores carried forward from Phase II and IDC's internal resources of Rs. 93.24 crores, the Project is to be financed by an anticipated second tranche soft loan of US 150 million dollars from the World Bank and commodity assistance from EEC to the extent of Rs. 144.70 crores.</p> <p>However, the Committee are dismayed to observe that though Phase III has been started in 1985-86, it is yet to be approved by the Public Investment Board. The World Bank has also indicated that there is no possibility of including this project in the current plan lending programme due to budgetary constraints. The Commodity aid from EEC is also not assured. In fact, the Secretary, Department of Agriculture and Co-operation admitted in evidence "There is no money in the Plan. There is no clear indication of the external aid." In view of the uncertain position of availability of funds the Committee have serious doubt about the successful implementation of the Phase III of OF project within the proposed time frame. The Committee are of the view that if timely action had been taken for obtaining the necessary foreign aid, such uncertain situation cou'd have been avoided. They desire that the project should now be finalised expeditiously and finances arranged therefor. The Committee would like to be apprised of its proposed implementation.</p>
5	1.55	<p>The Committee note that the average daily import of gift commodities during OF II was</p>

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84.77 MT of skim milk powder and 24.42 MT of butter oil against 31.76 MT and 9.89 MT, respectively, of these commodities during OF—I. They need hardly stress that the aim of the dairy development programme of the country in the long run should be to become self-sustaining without depending on foreign commodity aid but unfortunately, this aspect does not appear to have been given any thought. The Committee expect that the long term policy for dairy development stated to be under formulation should be finalised early laying down a time bound programme in this regard.

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In their 83rd Report (Fifth Lok Sabha) presented to Parliament in April, 1976, the Committee on Public Undertakings had recommended that in the long run it would be beneficial to bring about merger of Indian Dairy Corporation and National Dairy Development Board. The National Commission on Agriculture had also observed in September, 1976 that the integration of these two institutions was necessary as it would lead to integrated approach, better coordination and economy of operations. The question of merger of the two institutions has since been under examination of Government. In the meantime the Evaluation Committee on Operation Flood II (Jha Committee) in their Report presented to Government in December, 1984 had recommended that as the role and functions of IDC are more akin to those of development financing institutions like the National Bank for Agriculture and Rural Development (NABARD), the Industrial Development Bank of India (IDBI) and the Industrial Finance Corporation (IFC), a new statutory Corporation be formed to take over the functions performed by both the institutions. The Committee note that the Ministry has now decided to support this proposal and a note has been circulated to other concerned Ministries

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		<p>for their comments. The Committee recommend that the proposal should be finalised without any further delay as it already ten years since the recommendation for merger of IDC and NDDB was made by the Committee (1975-76) and its advisability has been recommended by the National Commission on Agriculture and Jha Committee.</p>
7	1.69	<p>The Committee hope that as recommended by Jha Committee the new Corporation shall have full freedom and flexibility in operation, not less than what the NDDB & IDC have enjoyed so far and be at par with other financial institutions. It should perform a more wide-ranging role beyond the confines of the Operation Flood Project and provide technical and financial assistance even in areas outside the purview of the Operation Flood. However, the Committee do not agree with the IDC's contention that the new Corporation should also undertake tasks such as oilseeds and fruits and vegetables projects. Admittedly, these functions are totally distinct from Dairy Marketing System.</p>
8	2.9	<p>Although the annual milk production in the country is stated to have increased from 21.6 million tonnes in 1969-70 to 38.7 million tonnes in 1984-85, the Committee find that different authorities have used different techniques for assessing the volume of milk production. Prior to 1977-78, the estimates of milk production were either those given by the Directorate of Marketing and Inspection or those given by State Animal Husbandry Departments to the planning Commission. These estimates, according to the Ministry, were based neither on a representative sample survey nor on an objective survey. However, in 1977-78, under a centrally sponsored scheme, the State level milk production estimates were prepared based on random sample surveys but at the end of Fifth Five Year Plan, this scheme was transferred to State sector resulting</p>

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in stoppage of random sample survey in some States. In the absence of uniformity of methodology, the Committee wonder how far the available statistics in regard to increase in milk-production was reliable.

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The Committee feel that even the milk production estimation under the centrally sponsored scheme introduced in 1977-78 is far from satisfactory, as this scheme is neither being implemented in all the States nor the statistical base available for the purpose is adequate. Further, there is no independent check to ensure the veracity of the estimates as is reportedly done in the case of crop statistics. There is, thus, a need for improving both the methodology and the instruments for collecting the relevant data. The Committee recommend that the mechanism for collecting milk production data should be gone into by an expert body with a view to suggesting a scientific and reliable technique for assessing the milk production estimates realistically. The Ministry have admitted that no assessment has been made so far of the extent of contribution made by Operation Flood in the increase of milk production. The Committee, therefore, desire that immediate steps should be taken for conducting bench-mark surveys of milk production in Operation Flood areas to enable a proper evaluation of the contribution made. Further, in order that the assessment of of the milk production in the country is realistic which is essential for chalking out long term policy for increasing milk production in the country, there is imperative need for collection of milk production data on a scientific and continuous basis with an independent check to ensure the veracity of the estimates.

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The Committee regret to note that although the total production of milk is claimed to have been substantially increased in the country, its

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per capita availability still continues to be low. As per the recommendation of Nutrition Advisory Committee of the Indian Council of Medical Research (ICMR), the per capita requirement of milk per day is 220 gms. for a nutritious diet. The target in this regard set under the Operation Flood is stated to be 165 gms. per day to be achieved by 1980. The actual per capita availability of milk was however, only 144 gms. per day in 1984-85. Thus even after more than 15 years of start of the Operation Flood Project the per capita availability of milk in the country remains far below the level recommended by the Nutrition Advisory Committee of ICMR and the prospects of its being achieved in the near future appear to be bleak to the Committee since the per capita target for 1990 of 165 gms. per day is itself much below the minimum of 220 gms. required for a nutritious diet. The Committee would like to stress that an outer time limit should be fixed by when the level of per capita requirement of milk, as recommended by ICMR, is to be actually achieved. Besides, a study should also be conducted in the Operation Flood areas as to what are the factors responsible for low consumption of milk by the weaker sections of society and suitable measures should be taken to remedy this and bring up the consumption of milk by the weaker sections to the minimum nutrient level.

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2.43

The Committee have been informed that the main reason for the low per capita availability of milk is mainly due to low productivity of cows because of low genetic potential for milk production in majority of local cattle and their inadequate feeding. Milk production enhancement is one of the central objectives of Operation Flood-II. The inputs programme initiated for enhancing milk production envisages provision of artificial insemination services to produce improved milch animals, animal health cover, feed

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and fodder development and diary extension etc. The Committee are however, constrained to observe that out of the envisaged assistance of Rs. 108.46 crores under OF-II for this purpose, only about Rs. 32 crores were disbursed by IDC upto March, 1984 on this programme. The drawal of funds by the State implementing agencies on this account from IDC which is on 70 per cent loan and 30 per cent grant basis was stated to be low since the latter encouraged these agencies to draw upon the State programmes which were available as 100 per cent grant. The Committee, however, feel that there should be no laxity in the programme for popularising and implementing the important inputs programme which is intended to enhance the production of milk. In this connection, the Committee, also suggest that the Government/IDC may consider the feasibility of liberalising the lending terms as well as of increasing the grant element in this regard.

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The Committee also find that out of 34,520 dairy Cooperative societies organised upto March, 1985, only 21,333 societies provided animal health cover for animals owned by the members. Barring 3 or 4 States, the number of cooperatives providing health cover was reported to be small and majority of them could not provide health services on the pattern and level envisaged in the Anand Model. The Committee have also been informed that a shortage of qualified veterinarians has been experienced by most of the State Federations which is expected to be of the order of 3,800 by 1989-90. The Committee desire that immediate suitable steps should be taken to overcome this shortage by expansion of intake capacity of existing veterinary colleges and by establishing new colleges, wherever necessary.

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Operation Flood II aimed at enabling milk producers to rear a National Milch Herd of some

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140 lakh cross-breed cows and upgraded buffaloes during 1980's but the progress made so far to this end is far from satisfactory. According to a village enumeration survey carried out from April, 1984 onwards, in 110 out of 130 milk-sheds the number of improved milch animals was only 7.75 lakhs. While viewing with concern the slow progress, the Committee recommend that concerted efforts should be made by IDC for achieving the targeted number of improved cross bred milch animals with a time bound programme.

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The Committee are informed that cross-breed cow is a more efficient animal for milk production compared to the pure bred Indian cow. It takes one generation of breeding to produce a cross-breed cow. The cross-breed cow drops its first calf at the age of 30 months whereas the pure breed Indian cow drops the calf between 48 to 54 months. However, reservations have been expressed about adoption of cross-breeding in India particularly in regard to the suitability of cross-bred bullocks for draught purposes. Therefore, the Committee feel that if we develop our own Indian breed animals scientifically, we can produce animals superior to European breed. Furthermore, the Indian breeds have greater disease resistance and heat tolerance compared to the European breeds. The Committee, therefore, recommend that there should be a judicious blend of cross-breeding and development of pure Indian breeds. Cross-breeding programme by using the imported varieties should be taken up only as a short term measure and it should be ensured that this activity is confined only to non-descript, low producing animals and not undertaken indiscriminately. In areas, where the domestic varieties have been good yielders, efforts should be made to further increase the milk yielding capacity of pure breed Indian breeds through a well-defined

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- policy of breeding and selection of the animals, as these have greater disease resistance in the Indian climate.
- 15 2.47 The Committee are informed that since Indian farmers are used to working with humped animals for draught purposes, the cross-breed animals are not popular with them for this purpose because of absence of humps. This problem can, however, be overcome by developing a proper hitching system. The Committee, would therefore, like to stress that effective steps should be taken by Government/IDC to develop and popularise a hitching system in the country so as to utilise the cross-breed animals for draught purposes.
- 16 2.48 Operation Flood Project also envisaged increasing the milk yields of cattle by improving the production of fodder and supply of adequate feed. The Committee regret to note that while the cattle feed compounding capacity went on increasing from 2,455 MT in 1982-83 to 2,605 MT in 1983-84 and to 3,289 MT in 1984-85, the capacity utilisation of these plants even during the peak months was only 45 per cent, 51 per cent, 50 per cent respectively during these years. Despite this, new cattle feed plants are being set up and the capacity of some of the existing plants is being increased. The Committee cannot but stress that before the new plants are set up and capacity of the existing plants augmented there is urgent need for concerted marketing efforts to popularise this feed which is stated to be 30 to 40 per cent cheaper than the traditional feeds like cotton seeds, oil cake, etc.
- 17 2.49 The Committee appreciate that the Indian Dairy Corporation has developed a Urea Molasses lick to improve the digestibility and nutritional value of agriculture waste which forms a feed for vast majority of cattle in India. The cost of milk production is expected to go down by about 20
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per cent with the application of this technology. The Committee would like to be informed of the results of efforts being made to create a demand for Urea Molasses Lick. At the same time, the Committee, would stress that the importance of green fodder should not altogether be ignored since, as pointed out by the National Commission on Agriculture, green fodder is essential for milk production enhancement particularly for the improved breeds of cows and buffaloes upon which greater emphasis is being laid of late. There should, therefore, be an integrated approach by using a part of the land for production of green fodder to be made available in areas having large number of improved varieties and agricultural wastes (straw) in areas having low yielding animals.

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3.28

The Committee are constrained to observe that about 14 to 16 lakh litres of surplus milk per day is available with the State Dairy Federations of six States viz. Maharashtra, Gujarat, Uttar Pradesh, Haryana, Punjab and Rajasthan mainly due to lack of market and comparatively low handling capacity. Admittedly, the present state of affairs is result of the fact that the marketing efforts have not kept pace with the procurement of milk. Besides, at present the Co-operative/Public Sector units in these six States are able to process only about 28 per cent, 39 per cent, 2.09 per cent, 3.57 per cent, 6.7 per cent and 7.82 per cent respectively, of the milk produced. In some cases even the existing processing capacities are not being fully utilised.

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The Committee are of the firm view that to meet the situation in an effective manner, vigorous efforts should be made to develop adequate marketing facilities for handling the surplus milk. Besides, based on an assessment of availability of milk in different areas of these States,

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the processing capacities should also be augmented, wherever necessary. As a short term measure, however, efforts should be made to optimise the capacity utilisation of existing units, if necessary by having additional shifts. The Committee need hardly emphasise that unless the problem of surplus milk is dealt with with a sense of urgency, not only the consumers would be deprived of benefits of increased milk production but this may also have an adverse effect on the production of milk in surplus areas.

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The Committee are also of the view that there is an urgent need for determining rational pricing of milk as it would ensure not only a fair return to the milk producers but also availability of milk on a reasonable price to the consumers. However, the committee are distressed to learn that at present no uniform policy is being followed in this regard. There are considerable variations in producer as well as consumer prices in different States. Even within a State, there is no agency for coordinating the prices of different cooperatives. While it may not be advisable at this stage to enforce uniform procurement prices of milk throughout the country, the Committee must emphasise the desirability of laying down some broad guidelines for determination of procurement prices of milk in different States. Such guidelines should be framed in consultation with the Commission for Agricultural Costs and prices after taking into account all relevant considerations including the cost of fodder and other inputs. The ultimate objective should be to stimulate production and to achieve self-sufficiency in milk, while raising the levels of per capita consumption. Whereas, prompt payment to producers of milk is very essential for the success of cooperative systems, no positive steps seem to have been taken for this purpose and considerable delays in this regard have been reported in some of the States like Madhya Pradesh, Orissa, Sikkim

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mainly due to operating losses and inadequate working capital with the Federations/Unions. Such delays have led to the diversion of milk from the cooperative system to traders who not only make quick payment but often give an advance to the producer in return for a promise of regular supplies. The Committee, therefore, recommend that the IDC should work out a scheme to make available some seed/margin money to the Federations facing difficulty of working capital.

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3.31

The Committee are informed that the Ministry of Agriculture issued a circular to all States in May, 1985 for constituting a Committee under the Chairmanship of Minister for Dairy Development for close monitoring and implementation of Operation Flood Project in each State. The monitoring of prompt payment to milk producers is also stated to be one of the terms of reference of this Committee. The Committee are also informed that so far only in 14 States/ Union Territories such Committees have been formed. The Committee desire that the Ministry of Agriculture should pursue the matter seriously with the remaining State Governments so as to accelerate the process of setting up such committee in those States so that an early solution to the problem of delayed payment to milk producers could be found out.

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3.32

The Committee regret to note that the proposed Milk and Milk Products Order which aims at promoting orderly growth of dairy industry in India and ensuring the availability of liquid milk to the consumers especially during the lean season, still remains to be finalised despite having being revised many a time. The concept of the Milk and Milk Products Order which was first mooted in 1965 by NDDB was not pursued further due to opposition from the Directorate General of Health Services (DGHS) and Directorate

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General of Technical Development (DGTD). However, at the request of the Ministry of Agriculture, NDDB submitted a revised draft of the Order in 1975 to be promulgated under the Essential Commodities Act, 1955. In view of the comments of DGHS, the proposed order was further revised to bring it under the Prevention of Food Adulteration Act, 1954. The matter remained under consideration of DGHS since December, 1980. Surprisingly, in 1984 it was decided to promulgate the order under the Essential Commodities Act and NDDB was asked to submit yet another draft which was received from NDDB in July, 1985. Under the advice of the Law Ministry, the proposed Milk and Milk Products Order has now been forwarded to the State Governments for inviting their comments which are still awaited. The Committee deprecate the lackadaisical manner in which the question of promulgating the Milk and Milk Products Order for the growth of dairy development has been treated. The Committee strongly urge the Government to finalise and promulgate this important measure without any further delay.

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3.45

Phase—I of Operation Flood project envisaged enabling metro dairies in four major cities of Delhi, Bombay, Calcutta and Madras to capture commanding shares of their milk markets. The Committee, however, find that even at the end of Phase—II of the project in 1984-85 the market share of the metro dairies was 57 per cent in Madras, 51 per cent in Bombay, 56 per cent in Delhi and only 39 per cent in Calcutta. Particularly low market share of Calcutta dairy is stated to be because of impediments to the procurement of milk caused by a variety of organisational problems including those relating to management, financial viability, timely payment to farmers and fair and remunerative pricing of milk. The Committee would like to stress that the Government

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IDC should take immediate steps, in consultation with the State Federations to tackle the problems which are hampering the progress of procurement of milk so that the four Metro Dairies are able to achieve the assigned task of capturing the commanding share of milk.

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3.46

The Committee feel concerned to note that the question of determining the agency which should run the Mother Dairy in Delhi has been under consideration of Government since 1973 but final decision has not yet been taken. Several proposals were examined by Government from time to time including setting up of a subsidiary of IDC to run the Mother Dairy at Delhi, formation of an independent company, taking over of the Dairy by IDC/NDDB, converting the Dairy into a Departmental Undertaking or handing it over to the Delhi Administration. However, the NDDB who were entrusted the management of the dairy as an interim measure still continue to manage this dairy and charge Rs. 2000 per day as management fee. The Committee feel that Government do not have a will to solve this problem otherwise this matter would not have been kept hanging fire for all these years. The Committee desire that a final decision in the matter should be taken immediately and Committee informed.

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3.47

The Committee also deprecate the delay in selection of site for a third dairy in Delhi with a capacity of 4 lakh litres per day, the project report for which was prepared by NDDB as early as in 1979. This delay has already led to an increase in estimated cost of the dairy from Rs. 9.65 crores to about Rs. 12 crores, and the Committee are sure that the cost will go up still further if decision is further delayed. The Committee desire that group which has been set up for the purpose should finish the task assigned to it ex-

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peditionously and a final decision about the site for the setting up of third dairy in Delhi should be taken by Government without any further delay.

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4.17

The Committee note that in 1977 when the production capacity of the Foot and Mouth Disease (FMD) Vaccine in the country was 4.5 million doses, a Task Force appointed by the Indian Council of Agricultural Research estimated that the requirement of FMD vaccine by 1985 would be to the tune of 85 million doses. Based on these estimates, Indian Immunologicals, a unit of IDC was issued a licence to manufacture FMD vaccine with an annual capacity of 25 million quadrivalent doses of vaccine. However, the Committee are surprised to find that the actual off-take of the FMD vaccine in the country during the years 1981-82 to 1984-85 was estimated to be 2.2 million doses, 1.8 million doses, 2.9 million doses and 7.5 million doses respectively. Since India is stated to be losing annually about Rs. 400 crores in milk yield and about Rs. 110 crores in draft capacity due to the outbreak of Foot and Mouth Disease among cattle and buffaloes, the Committee feel that an analysis should be made of the factors responsible for the actual offtake of FMD vaccine being far below the estimated requirements and the Committee apprised of the results of analysis.

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4.18

The Committee are concerned to note that Indian Immunologicals set up in May, 1983 at an estimated cost of Rs. 19.93 crores had to drastically cut the production of FMD vaccine (9.57 million doses during 1983-84 and 2.46 million doses during 1984-85) due to unseemly controversy over the 'A' strain to be incorporated in the vaccine. Based on the results of field samples sent to the World Reference Laboratory (WRI), Pirbright UK., the IDC decided to proceed with incorporation of A-22 strain in the quadrivalent

vaccine while the other Indian manufactureres of FMD vaccine were using A-5 or A-10 strain. At a meeting held in June, 1982 it was brought to the notice of Government by a representative of the Animal Virus Research Institute, Pirbright that the results of recent work at AVRI had shown that all the samples received from India in the last two years had tended to be closer to a known A-22 strain than to A-5 strain. However, the representative of the All India Coordinated Research Project (AICRP) on FMD maintained that the A-5 strain should be incorporated in the vaccine. In spite of this disagreement no serious efforts appear to have been made by Government to resolve the issue apart from sending some more samples to the World Reference Laboratory. It was only in March, 1985 that a Task Force was appointed for an in-depth technical analysis. Based on the recommendations of this Task Force, the Ministry of Agriculture decided in January, 1986 that manufacturers of FMD vaccine should be informed that in view of the preponderance of A-22 virus in the field outbreaks of FMD, this should be incorporated in the FMD quadrivalent vaccine. There was, thus, considerable time wasted in resolving the controversy as was admitted in evidence by the Secretary, Department of Agriculture and Cooperation that "they should have resolved the controversy much faster." The Committee deprecate the inordinate delay in arriving at a decision regarding incorporation of 'A' strain in the FMD vaccine which not only adversely affected the marketing of 'Raksha' vaccine produced by Indian Immunologicals which contained A-22 strain but also seriously hampered efforts to control the Foot and Mouth Disease. The Committee hope that the recommendations of the Task Force have been given wide publicity among State Animal Husbandry Departments and users of FMD vaccine so as to clear the prevailing misunderstanding with re-

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gard to the usefulness of the vaccine manufactured by Indian Immunologicals.

- 28 4.34—4.35 The Committee are informed that Tetrapak milk can be stored and transported without refrigeration because of its long life. Although the Indian Dairy Corporation was issued a Letter of Intent in June, 1973 for manufacture of Tetrapak Paper in collaboration with M/s. Tetrapak International and a provision of Rs. 3 crores had been made by the Planning Commission for setting up of a factory, the proposal was subsequently dropped. However, on the basis of recommendations of the Committee on Public Undertakings contained in their 83rd Report (5th Lok Sabha), the proposal was again revived. The Committee regret to point out that the Government's approval to the project was given only in July, 1979 when the Expenditure Finance Committee had cleared it in December, 1977, and the project must have also been examined by Government while issuing the Letter of Intent in 1973.

The Committee find that not only was the approval of the Tetrapak Project delayed, the commissioning of the Paper Laminating Plant for manufacture of laminated paper also got delayed. The Plant scheduled to be commissioned by August, 1981 was commissioned only in July, 1983. As a result the estimated cost of the project increased from Rs. 259.06 lakhs to Rs. 450 lakhs due to price escalation, increase in scope and inaccuracy in estimates. The Committee strongly deplore this inordinate delay.

- 29 4.36 The Committee are also concerned to note that against a capacity of 700 million tetrahedron packs, the production of the paper Laminating Plant was only 5.15 million packs and 10.16 million packs during 1983-84 and 1984-85 respectively. Whereas the plant was expected to attain full capacity utilisation during the fourth year of

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operation, the target fixed for production even during 1989-90 is 312 million packs. This utterly low capacity utilisation is stated to be due to the delay in setting up of packaging stations which are to utilise the laminated paper produced at the Plant. Of the ten such packaging stations needed for running the Paper Laminating Plant to full capacity, only three have so far been set up. The Committee need hardly point out that had the setting up of these packaging stations been properly planned to synchronise with the Paper Laminating Plant, the Plant set up at a cost of Rs. 4.5 crores would not have remained largely underutilised. They desire that every effort should now be made to set up the remaining packaging stations at the earliest.

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In order to utilise the excess capacity of the Paper Laminating Plant, the IDC approached the Government in December, 1983 for permission to manufacture flexible laminates besides manufacturing laminated paper for aseptic packaging. The proposal was rejected on the grounds that manufacture of flexible laminates is reserved for small scale sector. The Ministry of Agriculture again recommended the proposal to the Ministry of Industry in January, 1985 pointing out that it is exceedingly difficult to procure quality laminating equipment within the investment limit prescribed for small scale sector. No decision has so far been taken in the matter. The Committee desire that the matter should be sorted out at the earliest, if necessary at the highest level. They also recommend that IDC should be given permission to utilise its idle capacity by manufacturing at least those items which are not reserved for small scale sector and for which the Company has already approached the Government.