

**COMMITTEE ON PUBLIC  
UNDERTAKINGS  
(1975-76)**

(FIFTH LOK SABHA)

**EIGHTY-THIRD REPORT**

ON

**(INDIAN DAIRY CORPORATION)**

**(MINISTRY OF AGRICULTURE AND IRRIGATION)**



सत्यमेव जयते

**LOK SABHA SECRETARIAT  
NEW DELHI**

*April, 1976/Chaitra, 1898(S)*

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(1975-76)

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Shri M. A. Soundararajan—*Chief Financial Committee Officer.*

Shri K. S. Bhalla—*Senior Financial Committee Officer.*

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\*Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha on 2-4-1976.



## COMPOSITION OF STUDY GROUP ON DAIRY

1. Shri Atal Bihari Vajpayee—*Convener.*
2. Shri Sultan Singh—*Alternate Convener*
3. Shri Natwarlal Patel
4. Shri Ram Surat Prasad
5. Shri K. Narayana Rao
6. Shri Vasant Sathe
- \*7. Shri Bholā Prasad.

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\*Ceased to be a Member of the Committee consequent on his retirement from Rajya Sabha on 2-4-1976.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report, on their behalf, present this Eighty-third Report on Indian Dairy Corporation.

2. This Report is based on the examination of the working of the Indian Dairy Corporation upto the year ending 31st March, 1975. The Committee on Public Undertakings took evidence of the representatives of Indian Dairy Corporation on the 21st October, 1975 and of the Ministry of Agriculture and Irrigation (Department of Agriculture) on the 19th December, 1975.

3. The Committee on Public Undertakings considered and finalised the Report at their sitting held on the 23rd March, 1976.

4. The Committee wish to express their thanks to the Ministry of Agriculture and Irrigation (Department of Agriculture), Indian Dairy Corporation and non-official organisations for placing before them the material and information which they desired in connection with the examination of the Indian Dairy Corporation. They wish to thank in particular the representatives of the Ministry and the Undertaking who gave evidence and placed their considered views before the Committee.

NAWAL KISHORE SHARMA,  
*Chairman,*  
*Committee on Public Undertakings.*

NEW DELHI;  
April 12, 1976

Chaitra 13, 1898.

## INTRODUCTORY

### A. Historical Background

1.1. Agriculture constitutes the largest single sector of the Indian economy both in terms of its contribution to total national income and in terms of its contribution to employment. Notwithstanding the various measures taken by the Government, agricultural production is still highly vulnerable to the vagaries of the weather resulting in wide fluctuations of farmers' incomes. To increase the overall agricultural output and especially in order to introduce an element of stability in the farmers' incomes, the Government propose to give greater emphasis, among others, to animal husbandry. The development of animal husbandry will also provide the milk required for the population of whom 35 to 40 per cent are vegetarian and whose only source of animal protein food is in the form of milk and milk products.

1.2. There are now a considerable number of milk plants operating in India. However, most of the urban milk plants supplying liquid milk have capacities far below the requirements of the market, so that the majority of the market is still served by the traditional milk trade. The milk vendors who usually purchase milk, which is produced within or near the cities, are therefore still in a position to sell untreated milk of uncertain quality often at higher prices than the city milk schemes. The dominance of the traditional milk traders, the scarcity of supplies and the limitations of the processing capacity available to the organised dairy sector have prevented the stabilisation and rationalisation of the country's milk production, processing and marketing activities. It has also limited the efforts of city administrations to end the practice of city cattle-keeping which is not only unhygienic but also the cause of the premature killing of high yielding milk animals and their calves.

1.3. During October, 1964, the late Prime Minister, Shri Lal Bahadur Shastri who visited Anand (Gujarat) to inaugurate the new cattle feed compounding factory of the Kaira District Milk Producers' Cooperative Union was so much impressed by the working of milk cooperatives in Anand that he desired the cooperative movement authorities to make a plan to replicate "Anand" in other parts of the country. It was pursuant to the late Prime Minister's desire that the

National Dairy Development Board (N.D.D.B.) under the aegis of the Government of India was formed as a registered Society in 1965 to promote dairy development programmes all over the country. During the late 1960's, the Board concluded that the problems of milk production, city-cattle keeping, middlemen's margins etc. were linked to one another and that they would be solved only by an integrated dairy development programme mounted on a national scale.

1.4. The National Dairy Development Board drew up the "Operation Flood" project (also known as "India—WFP project 618") under the World Food Programme of the United Nations in 1970, the project which had a duration of 5 years (1970 to 1975) and which has since been extended for a period of 2 years upto the end of June, 1977, aims at the improvement of milk marketing by enabling the organised dairy sector to obtain a commanding share of the markets in the 4 major cities of Bombay, Calcutta, Delhi and Madras and at speeding up dairy development by increasing milk procurement and production in the rural areas which supply milk to the 4 major cities.

1.5. The WFP had agreed to supply, free of cost, at Indian Port, by the 30th June, 1975, 1,26,000 MT of skim milk powder and 42,000 MT of butter oil. The sale/transfer of these commodities to public sector plants of the four major cities of Bombay, Calcutta, Delhi and Madras was expected to generate Rs. 95.40 crores (likely to increase to Rs. 116.4 crores) which was to be spent on milk marketing and dairy extension activities under various action items of "Operation Flood" Project. As a non-profit making charitable Society, the NDDDB could not engage in such commercial activities as selling imported dairy commodities. Therefore, the Government of India set up the Indian Dairy Corporation to handle the commercial transaction—and, in fact to be its implementation agency for the "India WFP Project 618".

1.6. The Indian Dairy Corporation was incorporated as a wholly Government owned Company on 13th February, 1970.

### B. Objectives

1.7. According to the Memorandum and Articles of Association of the Corporation, the main objectives to be pursued on its incorporation are as follows:—

- (1) To promote the dairy industry in India.
- (2) To assist the State Governments and other organisations including Co-operative Societies and private bodies interested in the

promotion of Dairy Industry to meet the requirements of milk and milk products of the vulnerable groups such as nursing and expectant mothers and the pre-school children in special and of all others in general in urban areas and in the first instance in the towns of Delhi, Bombay, Calcutta and Madras.

(3) To promote and develop cattle husbandry for increased milk production through the provision of such technical inputs as improving the productivity in cattle by cross-breeding and other means, artificial and natural breeding services, irrigation and other facilities for fodder production, milling plants for production of ready made concentrate and mineral mixture, supply of improved fodder, seeds and cuttings, establishment of disease control and veterinary aid centres hospitals, clinical and investigational laboratories and calf rearing centre, and all other things of any kind or nature whatsoever, including establishment of a net work milk procurement system to provide the necessary economic incentive for increased milk production.

(4) To promote the removal from urban areas of high yielding milch cattle and calves preventing thereby their premature destruction their re-settlement in rural areas through provisions for land, utilities, and irrigation, stabling, fodder production, feed compounding, calf rearing, health and breeding services, organising sale of milk to dairy plants and all other things of any kind or nature whatsoever required for the purpose.

(5) To assist in developing and expanding the capacity and operations of the existing dairies in the towns of Delhi, Bombay, Calcutta and Madras and other urban and rural areas.

(6) To assist in establishing and expanding the processing and handling capacity of liquid milk plants chilling centres, feeder dairies, balancing dairies and all other facilities of any kind whatsoever required for increasing the processing and handling capacity of milk in the aforesaid four towns and in any other urban or rural areas.

(7) To assist in setting up plants for producing and processing milk products, and re-inforcing agents.

(8) To assist in the manufacture and marketing of skimmed milk powder, butter oil and other milk products and bye products thereof, fodder and feeds, plant and machinery, and other articles or things of a character similar or analogous to the foregoing or any of them or connected therewith.

(9) To assist in erecting or providing storage and transport facilities for milk and milk products, fodder and feeds.

(10) To act as agent of the Central Government for negotiating with the World Food Programme and other international and foreign agencies for obtaining skimmed milk powder, butter oil and other milk products, cattle feed, breeding cattle, chemicals, machinery and any other things likely to foster the objects of the Company either by way of gift or on other terms to take delivery of and deal with the same. To transfer at valuation approved by the Central Government and against immediate or deferred payment all or any of such imported commodities to State Governments or other organisations and to account to the Central Government for the proceeds received on transfer.

(11) To do all things necessary or advisable for carrying out the above objects and in particular to obtain and furnish advice, projects, programmes, skilled advisors, training facilities for training personnel, finance by way of grants or loans, assistance in designing, erecting and operating dairies and other plants and to consult National Dairy Development Board on all their technical and scientific aspects.

1.8. Asked whether the Corporation had been able to fulfil the objectives for which it was set up and if so, to what extent, the Corporation in a reply after evidence stated that the objects clause in the Memorandum of Association covers many activities but the Corporation was set up primarily to implement 'Operation Flood' Project. Subsequently, the Corporation was nominated by the Government of India as the sole canalising agent for the import of skim milk powder and its distribution.

It was stated that the Corporation had, to a large extent, succeeded in achieving its objects. Dairy Development Projects had been initiated in the 10 participating states, viz., Andhra Pradesh, Bihar, Haryana, Gujarat, Maharashtra, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal and further there had been a considerable increase in the milk handling capacity in the metropolitan cities of Bombay, Delhi, Calcutta and Madras.

1.9. In this connection, during evidence, the Additional Secretary of the Ministry stated:

"Indian Dairy Corporation was set up mainly for the implementation of the World Food Programme (WFP Project 618), "Operation Flood" and to effectively translate the

policies of the Government for dairy development in these areas and to ensure that increased milk production with assured marketing facilities is brought about in these areas as early as possible, by and large, the IDC has fulfilled the objectives for which it was set up. . . . The objectives are so vast in a country of this dimension it will take us two or three generations to achieve the same by dint of hard work. My assessment of saying 'by and large' is in the direction of setting up the mother-dairies, construction of feeder balancing dairies and improving or upgrading the animals in the areas adjacent to the operation flood areas and in seeing that the gift commodities were sent and sold to the concerned people. I confine my remarks taking these basic objectives in view. But if these are taken in depth, I do not think these have been achieved and it will not be possible to achieve them in 20 years to come in a comprehensive manner."

1.10. The Ministry in their reply, after evidence added that "the main objective of the Corporation was to help the State Governments to create conditions congenial for and conducive to increased milk production in the rural milk sheds and assured outlets at remunerative prices through the channel of feeder/balancing dairy plants and ultimately the city dairy plants for supply of pasteurised milk to the city consumer at reasonable prices. Although the Corporation was handicapped on account of inadequate generation of funds in the first 3½ years of the project, the Corporation helped to create conditions favourable to the fulfilment of the objectives within the constraints of financial resources."

1.11. The Committee note that the Indian Dairy Corporation was set up in 1970 mainly to implement "India WFP Project 618" (Operation Flood). The Project which was originally scheduled to be completed within a period of five years from 1970 to 1975, has been extended for a period of 2 years and it will now terminate by the end of June, 1977. The Committee were informed during evidence by the representative of Ministry of Agriculture and Irrigation that 'by and large, the IDC has fulfilled the objectives for which it was set up. . . in the direction of setting up the mother dairies, construction of feeder balancing dairies and improving or upgrading the animals in the areas adjacent to the operation flood areas and in seeing that the gift commodities were sent and sold to the concerned people. If these are taken in depth, I do not think these have been achieved and it will not be possible to achieve them in 20 years to come in a

comprehensive manner'. It has also been stated that "the objectives are so vast in a country of this dimension, it will take us two or three generations to achieve the same by dint of hard work". The Committee are also informed that though the Corporation was handicapped on account of inadequate generation of funds in the first 31½ years of the Project, it has been able to create conditions favourable to the fulfilment of objective. The Committee apprehend that if such a leisurely view of the time factor for fulfilling the objectives as has been taken by the Ministry is taken by the Corporation and other authorities concerned, the implementation of the Project, which has already been delayed by two years may not be completed even by the end of June, 1977, as scheduled, and any further delay will not only affect the cost of implementation of the Project but will also cause a set back to the dairy development programmes in the country. The Ministry should create a sense of urgency in all the agencies and authorities concerned with the implementation of the Project and take effective measures to remove the constraints in the way of its implementation so as to commission fully the Plants within the stipulated period i.e., by the end of June, 1977.

### C. Other Activities

1.12. Besides implementation of "Operation Flood" the IDC has been required to function as a canalising agency for import of skim milk powder (SMP) and distribution thereof (on the basis of allocation made by the Department of Agriculture) to various consumers including the dairies in the public, cooperative and private sector, large and small scale manufacturers of baby and malted food, Army purchase Organisation and Registered Exporters under the Registered Exporters Promotion Scheme.

1.13. The Ministry have stated in a written reply that "no formal evaluation of the performance of the Corporation in regard to these activities had been carried out by the Government. In regard to its functions as a canalising agency, the performance of the IDC had been satisfactory."

1.14. The Committee recommend that the Government should evaluate the performance of the Corporation as canalising agency for the import and distribution of SMP and see whether these activities are being carried out economically and efficiently. They would like the Government/Corporation to assess the demand for SMP in the country vis-a-vis indigenous production very carefully and ensure that the imports are kept to the barest minimum and supplies are made only to genuine parties for genuine and essential purposes.



### D. Constraints/Difficulties Faced by IDC

1.15. As a part of Agriculture, dairy development is a State subject. The administration of animal husbandry, veterinary services, fodder production, milk procurement, processing and marketing on which dairy development depends, varies from State to State and in all the States covered by "operation Flood" excluding Gujarat, more than one Directorate and/or department are involved and this was stated to be one of the constraints faced by the Corporation in implementing the "Operation Flood" project.

1.16. It has been stated by the Corporation that this subject was taken up with the State Governments concerned and the IDC has succeeded in bringing about integration of these services, so far as "Operation Flood" work is concerned, in the States of Punjab, Uttar Pradesh and Tamil Nadu. Lately Andhra Pradesh and Bihar have agreed to implement all the activities under "Operation Flood" through their State Dairy Development Corporations. In Maharashtra and West Bengal, the "Operation Flood" projects are coordinated by special cells. In Rajasthan, a Dairy Development Corporation has been set up to implement "Operation Flood" Projects in Bharatpur and Alwar Districts while projects in Bikaner District are being handled by the special project cell of the State Government. The Corporation stated in a written reply that from time to time, the difficulties experienced in this connection were brought to the notice of the Government of India. The difficulties have been resolved gradually by negotiations with the States and the Centre at various levels, including ministerial. This, however, was a time-consuming process and consequently implementation of various programmes was delayed."

1.17. It has also been stated by the Corporation that difficulties encountered with regard to funds for taking up various schemes under Fifth Five Year Plan, price revision of skim milk powder and butter oil, streamlining of procedures for import of skim milk powder on commercial account and setting up of a subsidiary Company for running of Mother Dairy at Delhi are stated to be at present under the consideration of the Government.

1.18. In this connection, the representative of the Ministry stated, during evidence, that 'in the beginning the Corporation had its own teething trouble. In the early stages we were not geared up to receive all the WFP quantities of milk powder and butter oil and when we were geared up, there were some difficulties with the

WFP in supplying these things. By and large, we feel they have done satisfactorily the work entrusted to them.”

1.19. In regard to assistance rendered by the Government to IDC for solving its problems the representative of the Ministry stated that “We have not had any occasion of any suggestion or request from the IDC to specifically intervene or help them in any matter concerning their activities in the States.” The Ministry added in a written reply that “The IDC as far as the Government is aware, has been corresponding with the participating States for implementing the Project and has been sorting out the difficulties, if any, directly.”

No specific reference was made to the Government to seek Government's help or intervention in sorting out any difficulties in this regard.”

1.20. As regards financial difficulties of the Corporation, it has been stated by the Ministry that Government helped the Corporation to supplement its financial resources by providing cash credit facility to borrow upto Rs. Four crores (this facility was allowed w.e.f. 1st July, 1973 onwards). In addition, the Government did not enforce upon the IDC the condition relating to deposit of assumed c.i.f. (Cost, Insurance and Freight) value of WFP commodities with the Government as provided in the decision on the subject, so that it might not have constraint of funds for implementing the action items under the project.

1.21. The Committee are surprised to note the conflicting statements made by the Corporation and the Ministry in regard to the help sought by the former from the Ministry to solve the difficulties arising out of lack of integrated services in certain States which acted as constraint on the progress of “Operation Flood”. While the Corporation has stated that the difficulties experienced in this connection were brought to the notice of Government, the representative of the Ministry has stated that “We have not had any occasion of any suggestion or request from the Corporation to specifically intervene or help them in any manner concerning their activities in the States”. The Committee are unhappy at this lack of close understanding and communication between the administrative Ministry and the Corporation. The Committee feel that, as the “Operation Flood” Project is time-bound and spread over as many as 10 States and 4 Metropolitan cities, it is the duty of the Ministry to contemporaneously monitor the progress of implementation of the Project and to ensure that the “Operation Flood” is implemented according to

schedule and all problems with the concerned States are resolved at Government's level.

1.22. The Committee further recommend that the Government's representatives on the Board of the Corporation should be asked to act as eyes and ears of the Government and serve as the regular line of communication between the Ministry and the Corporation and if any problems affecting the progress of the project come to their notice, they should without any delay, bring them to the notice of the Ministry. The Ministry should not hesitate to take initiative to provide necessary help and assistance to the Corporation and if necessary take up the matter with the State Governments to resolve the problems and constraints in the interest of timely implementation of the Projects.

1.23. As regards the difficulties of the Corporation relating to the funds for taking up various schemes under the Fifth Five Year Plan and the matters relating to price revision of SMP and BO, procedures for import of SMP on commercial account and setting up of an organisation for running of mother dairy at Delhi, the Committee have given their comments elsewhere in the Report.

## II

### GENERATION OF FUNDS

#### Supply of WFP Commodities

2.1. Under a 5 year agreement concluded on 4th March, 1970, the WFP had agreed to supply, free of cost, at Indian ports by the 30th June, 1975, 1,26,000 MT of SMP and 42,000 MT of butter oil. The sale/transfer of these commodities to public sector dairies at the prices then fixed (Rs. 4,350 per MT for SMP and Rs. 9,670 per MT of butter oil) was expected to generate Rs. 95.40 crores which was to be spent on milk marketing and dairy extension activities under the project. The transfer value of WFP donated commodities was originally fixed with reference to the then existing prices of rurally procured milk. In order to ensure that comparative low price at which milk could be recombined with DFP donated SMP and butter oil should not be allowed to act as a damper on the milk procurement activities of the State Governments and particularly, the city milk plants, the transfer value of SMP and BO as increased to Rs. 6,500 and Rs. 10,000 per MT, respectively, from January, 1974. This would have the effect of extra generation to the extent of Rs. 21 crores in case the entire amount of the commodities are received and sold by the Corporation to the milk plants. The total estimated generation would, therefore, go upto Rs. 116.40 crores against Rs. 95.40 crores as estimated earlier.

2.2. The following quantities of SMP and BO were received by IDC from WFP under this programme:—

Year	(in MT)					
	SMP (Skim Milk Powder)			B.O. (Butter Oil)		
	Expected	Received	Short fall	Expected	Received	Short-fall
1970-71	10,500	6,275	40%	3,507	2,292	34%
1971-72	30,000	9,890	67%	10,000	2,452	75%
1972-73	39,000	11,983	70%	13,000	3,707	10%
1973-74	30,600	9,047	70%	10,200	4,281	58%
1974-75	15,900	10,557	28%	5,300	8,212	(+)

2.3. According to the First Inter-Agency Mission, as on 31-3-1972 out of 20,855 metric tons of dried skim milk received in India, 16,593 MT were accepted by the IDC and 4,062 MT were rejected (20 per cent of receipts). Of the 16,593 MT accepted, 12,641 MT were used for milk recombination, 839 MT were subsequently found unsuitable for recombination and were disposed of for other purposes and 137 MT were transferred at the request of WFP to refugee feeding (WFP Emergency project 948). There was a stock balance at the end of March, 1972 of 2.937 MT.

2.4. In regard to butter oil, 5.548 M.T. were received in India, 3,725 M.T. were accepted and 767 M.T. were rejected (14 per cent of receipts). Of the 3,725 M.T. accepted 3,026 M.T. were used for milk recombination, 26 M.T. were unsuitable and used for other purposes and 72 M.T. were transferred to refugee feeding. There was a stock balance of 1,047 metric tons at the end of March, 1972.

2.5. The expansion of the existing dairies in the four metropolitan cities which were to receive predominant attention in the first 18 months of the project did not get enough finance. According to the Ministry of Agriculture, this was primarily due to sub-standard quality of donated commodities and their packaging problems during 1970-71 and 1971-72, erratic delivery schedules and inordinate delay in supply of WFP commodities particularly during 1972-73, 1973-74 and 1974-75, inordinate delay in the receipt of imported equipment required for recombination in four city dairies and unsatisfactory stainless steel valves supplied under UNICEF assistance and also some delay in raising the required infrastructure for expansion of the existing dairies and setting up of new dairies.

2.6. According to the First UN/WFP Inter-Agency Evaluation Mission which reviewed the project in March, 1972, "during 1971 and early 1972, shipments of WFP commodities tended to arrive rather sporadically, resulting in shortage of one or both commodities from time to time. To some extent this has been due to frequent change in notification of requirements by the IDC". The Mission also came to the conclusion that "there has been some delay in augmenting the plant capacity of the existing city dairies and their utilisation of WFP commodities has been only 40 per cent of the anticipated usage..... The delay in implementation of the project is due to many factors, but to some extent can be attributed to the inadequate or delayed establishment of machinery for coordination at the State and city level."

2.7. The question of inadequate supply of WFP commodities was taken up by the Government of India at the meeting of the inter-

Government Committee held in Rome in November, 1973 and as a result of these efforts, the supplies were stepped up in the latter half of 1974 and during 1975. The IDC is now quite comfortable so far as receipt of the commodities from WFP is concerned.

2.8. On the Committee enquiring about the reasons for irregular and erratic supply of these commodities the Corporation in a reply after evidence stated that "the supply of WFP was on the basis of donations of SMP and BO to WFP from the donor countries. During 1973 and 1974, due to shortfall in production in most of the countries, it was not possible for WFP to obtain timely supply of these commodities in sufficient quantities."

2.9. During 1974-75 the supply of WFP commodities were very irregular and erratic. Because of these difficulties the IDC was compelled to ration the issue of the commodities to the milk schemes and could not guarantee supply of any specific quantity of SMP and BO to the milk schemes during first 9 months of the year. As a result the programme for the increased throughput of the milk schemes suffered very much and so also generation of funds.

2.10. The Second UN-WFP Inter-Agency Review Mission which came to India during March, 1975 observed that the overall objectives of the project were likely to be achieved in spite of considerable but not unreasonable delay, particularly due to two recent droughts and other disruptions. However, the Mission was apprehensive as to whether it would be possible to utilise the entire 1,26,000 MT of SMP and 42,000 MT of BO by June, 1977. Unless these commodities were fully utilised, the required funds would not be generated by the IDC for the Project.

2.11. According to the Second Mission, "the use of commodities in this manner has not been of significance over the past three years and in general the utilisation of commodities has been below target."

2.12. In regard to the generation of funds, the Ministry of Agriculture added:—

On account of the inadequate in-flow of WFP commodities in the first 3½ years and due to inadequate off-take of these commodities in the following 1½ years, the actual generation of funds under the project was of the order of Rs. 46 crores (appx.) upto the 30th November, 1975 as against Rs. 95.40 crores (further expected to increase to Rs. 116 crores. The I.D.C. has carried out an assessment and expects to be able to utilize only 1,03,000 MT of SMP and 32,000 MT of butter oil by the end of the extended period of the project (June, 1977) against 1,26,000 MT of SMP and 42,000 MT of Butter oil originally provided in the Project. This is expected to generate appx. Rs. 91.28 crores.

2.13. While the generation of funds has been low, price escalation had resulted in increased expenditure on various projects included in various action items. To meet the shortfall, the I.D.C. requested the Government for providing President's guarantee to borrow upto Rs. 4 crores from banks. The cash credit facility was allowed w.e.f. 1st July, 1973 and is being continued as I.D.C. is still in financial difficulties.

2.14. It was provided in the project that while the C.I.F. value of W.F.P. donated commodities at the current international rates of Rs. 1,700 per M.T. for SMP and Rs. 3,243 per M.T. for butter oil was Rs. 35 crores (approx.), the commodities would be sold to dairies at Rs. 4,350 and Rs. 9,670 per M.T. for S.M.P. and butter oil respectively to generate Rs. 95.40 crores. (These prices were raised to Rs. 6,580 and Rs. 10,000 per M.T. respectively w.e.f. 11th January, 1974 which were expected to generate app. Rs. 116.40 crores). It was also provided that the amount of Rs. 35 crores will be credited to the Central Government being the assumed foreign assistance for which credit has been taken in the 4th Plan. The remaining amount of Rs. 60.40 crores will represent generated fund and the I.D.C. would borrow Rs. 35 crores from institutional sources such as A.R.C. or banks to make up the amount of Rs. 95.40 crores to implement the project. On that basis, the I.D.C. is required to deposit approx. Rs. 18 crores with the Government on the basis of quantities of commodities received so far\*. It has not been possible for the I.D.C. to deposit any amount so far on account of inadequate generation of funds, increased expenditure and credit squeeze attended by the fact that I.D.C., by the nature of its functions has no stocks to hypothecate. In view of the present financial difficulties of the I.D.C., Government have not enforced the requirement of deposit of funds with Government for the present.

2.15. In this connection, the Ministry of Finance in a note after evidence of the Ministry stated that the generation of funds has lagged behind the expenditure commitments of the I.D.C. Secondly, it has not yet been possible for the IDC to get any long-term or sub-

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\*At the time of factual verification, the IDC pointed out:—

"The correct position is that the operation Flood" as laid down in the Plan of operation was estimated to cost Rs. 95.4 crores. The total fund expected to generate was also Rs. 95.4 crores. If Rs. 38 crores is to be credited to the Govt of India out of Rs. 95.4 crores—Rs. 38 crores—Rs. 57.4 crores. Unless the IDC could obtain Rs. 38 crores from some other source, it is not physically possible for IDC to credit.

The amount to the Government of India. As per the Plan of operation agreed to between the Government of India and W.F.P. the size of the Project should remain as indicated in the Plan of operation if the total quantity was to be received from WFP as gift and, therefore, the reduction in the size of the Plan was not possible.

stantial bank finance for 'Operation Flood' beyond about Rs. 4 crores of short-term bridging finance.

Another problem has arisen during the last one year. While the supply of gift materials from WFP has picked up now it has become difficult for the Corporation to push larger quantities of gift materials into the market to generate more funds, because of a glut in the indigenous milk market. IDC is at present (December, 1975) having in stock about 14,000 tonnes of SMP and 15,000\* tonnes of butter oil from WFP. On the other hand, the procurement of milk during the last flush season was so large that the indigenous industry has been left with substantial surpluses. In fact, the Department of Agriculture had to step in and authorise purchase of about 5,000@ tonnes of SMP @ Rs. 15,000 per tonne from indigenous manufacturers, more or less, as a support measure. The milk handling capacities of the four metropolitan dairies have also reached their limits. The large mother dairies (except in Delhi) have also not yet been commissioned so that pushing larger quantity of SMP and BO through them is not yet possible.

According to the IDC's tentative projections, by 1977-78 (Operation Flood ends in June 1977 according to the present arrangement) it will at best be possible to utilise 1,03,000 tonnes (against 1,26,000 tonnes) of SMP and 32,000 tonnes (against 42,000 tonnes) of butter oil resulting in total generation Rs. 91.28 crores. It may be possible to get Rs. 18.59 crores as repayment within this period from the State Governments. IDC will even then require about completing the different projects take up under Operation Flood.

In a nutshell the present position therefore, is that not only is IDC unable to pay back the international value of gift materials which now stands recalculated at Rs. 38.11 crores (on account of higher international value) but IDC would in addition require about Rs. 6.53 crores for completion of "Operation Flood" projects.

2.16. According to the Second Mission, a proposal which seemed to have some merit for generation of funds, was for WFP to permit the IDC to sell part of the dried skim milk in small consumer packs for direct consumer use and to convert part of butter oil into ghee for sale as such.

2.17. The Corporation in a note after evidence stated that:

"Due to improvement in the milk supply position since 1974 winter, there is temporary glut of milk products like SMP, Butter and Ghee in the market. If gift SMP is released

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\*"10,600 tonnes of Butter Oil as intimated by IDC at the time of factual verification.

@ "5,500 tonnes of SMP" as intimated by IDC at the time of factual verification.



in consumer packs and ghee made out of BO is offloaded in the market in large quantities, there will be further glut with consequential effect on prices. This will affect adversely indigenous milk production since if dairies fail to market the products at economic prices, they will not be able to pay the milk producers a fair price. Furthermore, WFP wanted a commitment from the Government of India that the normal commercial imports which they put at 20,000 MT\* of SMP per year are to be maintained, which the Government rightly cannot agree. The matter is still under negotiation with WFP.

Due to improvement in the milk supply position in three out of the four metropolitan cities, as well as in the milk shed areas, the requirement of WFP commodities has gone down considerably during the current year. This is quite a welcome and desirable change but at the same time it is affecting the generation of funds."

2.18. In this connection, the Ministry of Agriculture in a note after evidence stated that the proposal of the Second Evaluation was examined by the IDC and it felt that sale of large quantities of SMP and butter oil outside the Operation Flood area might not be desirable as it would act as a disincentive to payment of remunerative prices to the milk producers. In regard to sale of SMP and butter oil in small consumer packs, the IDC felt that while it might be possible to sell small quantities in the metropolitan city of Calcutta, it might be difficult to safeguard against these consignments finding their way to other places and for purposes other than those for which they were to be used. In regard to sale of butter oil outside operation flood area, the IDC felt that the prospect were not good on account of availability of butter fat in substantial quantities. Thus I.D.C. under the circumstance, was not in favour of the proposal.

2.19. The Ministry added that IDC was presently carrying large stock of SMP and butter oil (estimated at approximately Rs. 20 crores) awaiting disposal. The position was expected to improve in the summer of 1976 when the off-take would pick up. IDC had estimated that it might be in a position to utilise 1,03,000 MT of SMP and 32,000 MT of butter oil upto 30th June, 1977. Government would

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\*According to the Ministry, the Yearly quantities of SMP purchased during the last 5 years by IDC against global tenders have been 15,155 tonnes, 16,877 tonnes, 12,195 tonnes and 15,000 tonnes during 1971-72 to 1974-75 respectively. During 1975-76, IDC has been allowed to purchase upto 5,500 tonnes of locally manufactured SMP.

No butter oil has been imported commercially during the last 5 Years.

consider the need and desirability of seeking extension of the project after watching the progress during 1976.

2.20. Asked as to what were the implications of not utilising the commodities by the end of the project period, the Corporation in a reply after evidence stated that there would be shortfall in the generation of funds unless the project was extended further. Consequently, the IDC would have to depend either on Plan funds or on institutional finance for completing the project.

2.21. In this connection, the Ministry of Agriculture stated in a note after evidence that—

“It is proposed to take steps for speedier implementation of the project in the remaining 1½ years of the extended life of the Project. However, Government feels that the tempo of progress presently achieved in milk production, dairy extension and marketing should not be lost. Government would, therefore, consider at the appropriate time the need and desirability of seeking another year's extension to the project.”

2.22. The Committee note that under the “Operation Flood” projects, World Food Programme had agreed to supply free of cost by the 30th June, 1975, 1,26,000 MT of Skim Milk Powder (SMP) and 42,000 MT of Butter Oil (BO). The sale/transfer of these commodities to public sector dairies at the prices then fixed was expected to generate funds to the tune of Rs. 95.40 crores (which later went upto Rs. 116.40 crores as a result of increase in the transfer value). These funds were to be spent on milk marketing and dairy extension activities under the Project. The Committee find that during 1970-71 and 1971-72 the quantity of SMP received was 40 per cent and 67 per cent less than expected and that of BO 34 per cent and 75 per cent less than expected and of the quantities received, 20 per cent of SMP and 14 per cent of BO were rejected by IDC on the ground of sub-standard quality and packaging problems. During 1972-73 and 1973-74, there was a shortfall ranging between 70 per cent and 58 per cent in the case of SMP and BO. They are informed that this matter was taken up by the Government of India with the WFP authorities in November, 1973, and as a result of these efforts, the supplies were stepped up in the latter half of 1974 and during 1975. The Committee need hardly point out that if these shortfalls had been promptly brought to the notice of WFP authorities, a suitable solution could have been found much earlier and the implementation of the project would not have been so heavily delayed.

2.23. The Committee regret to note that on account of the inadequate inflow of WFP commodities in the first 3½ years and due to inadequate off-take of these commodities in the following 1½ years the actual generation of funds under the project was of the order of Rs. 46 crores (approx.) upto the end of November, 1975 as against the original expectation of Rs. 95.40 crores and the revised estimate of Rs. 116.40 crores. The Committee also regret to find that according to IDC's own assessments, by the end of the extended period of the project (June, 1977), it will at best be able to utilise only 1,03,000 tonnes (against 1,26,000 tonnes) of SMP and 32,000 tonnes (against 42,000 tonnes) of BO resulting in total generation of Rs. 91.28 crores and leaving a shortfall of over Rs. 25 crores.

The Committee are informed that the project did not make progress according to schedule in the initial stages as no lead period was provided to prepare for taking up the programme and the Ministry/Corporation did not realise this before the commencement of the project. The Committee regret that the progress of the project which ultimately resulted in shortfall of funds was also due to delay in the receipt of imported equipment for the four city dairies, raising of required infra-structure for expansion of the existing dairies and setting up of new dairies and establishment of machinery for coordination at state and city level.

2.24. In view of the fact that the funds provided to the States for various programmes under the project were in the form of 30 per cent grant and 70 per cent loan, the latter returnable in 10 equal instalments beginning after 3 years of the loan, the Committee are informed that it may be possible to get Rs. 18.59 crores as repayments of loans from the State Government within this period and even then the IDC would require Rs. 6.53 crores of additional funds from Government for completing the different projects taken up under "Operation Flood". The Committee would like the Corporation to take stock of the loans granted to States and initiate action with the help of the Ministry to recover instalments of loans which have fallen due. The Committee would like to be informed of the developments in the matter.

2.25. The Committee note that though the supply of gift materials has picked up now, it has become difficult for the Corporation to push larger quantities of gift materials in the market to generate more funds with the result that about 14,000 tonnes of SMP and \*15,000 tonnes of BO, of value about Rs. 20 crores are in stock with the IDC. The milk handling capacities of the existing four metropolitan cities have reached their limits and the new Mother Dairies

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\*10,600 tonnes of BO as intimated by IDC at the time of factual verification.

(except Delhi and Bombay) have not yet been commissioned, and hence pushing larger quantities of SMP and BO through them has not been possible. The Committee stress that the Corporation/Ministry should review in detail the progress of developmental works connected with the Dairies so as to speed them up. The Committee expect the administrative Ministry to take up matters directly with the State Governments where it is not possible to resolve the matters promptly at the level of the Corporation.

2.26. The Committee find that according to the Second Inter-Agency Review Mission, a proposal which seemed to have some merits was for WFP to permit the IDC to sell part of the SMP in small consumer packs for direct consumer use, also outside the "Operation Flood" area, and to convert part of the butter oil into ghee for sale as such. The Committee are informed that the Corporation is not in favour of the proposal since according to the Corporation, there is improvement in milk supply position since 1974 winter and there is temporary glut of milk products like SMP, ghee, butter in the market and the release of gift materials in the market will therefore have effect on prices and act as dis-incentive to payment of remunerative prices to milk producers thus affecting adversely indigenous milk production. The Ministry, however, expect the position regarding consumption of SMP and B.O. to improve in the summer of 1976. While the Committee are happy at the improvement in the milk supply position within the country, they do not think milk market all over the country have reached a saturation point, so as not to be able to absorb additional supplies of SMP and ghee. The Committee would like the Government/Corporation to study the supply position of milk and milk products in all the regions in consultation with the State authorities and find out a solution to the problem which should not only help the Corporation clear its stocks of SMP and BO and generate more funds for the speedier implementation of dairy development projects in the interest of the milk consumers but also safeguard the interests of milk producers.

2.27. The Committee are informed by the Ministry that it is proposed to take steps for the speedier implementation of the project during the remaining period of the extended life of the project "Operation Flood" and in order to maintain the tempo of progress presently achieved in milk products and dairy development, Government would consider at the appropriate time the need and desirability of seeking another year's extension to the project.

The Committee feel that the project could have made more satisfactory progress if lead period had been given, supplies of SMP and

BO had been made by WFP authorities according to agreed schedule and substantial quantities of the supplies were not of sub-standard quality. As these factors, inter alia, resulted in the shortfall in the generation of funds in the initial stages, due to which the infra-structure for the use of donated commodities could not be established by the Corporation in time resulting in inadequate off-take of the donated commodities later on, the Committee have no doubt that the Government would be able to persuade the WFP authorities to extend the period of the project to enable the Corporation to utilise the full quantities of SMP and BO agreed to by them under the "Operation Flood".

2.28. The Committee are concerned to note that WFP authorities are demanding a commitment from Government that normal commercial imports should be maintained at the level of 20,000 MT of SMP per year. The Committee note that while imports of SMP varied between 12,000 to 17,000 tonnes from 1971-72 to 1974-75, there was no import in 1975-76. The purpose of the programme is to generate self-reliance in the matter of milk production in the country. The Committee have, therefore, no doubt that there is no question of entering into any commitment which would be counter-productive to this basic objective.

### III

## OPERATION FLOOD PROJECT

### A. Plan of Operations

**3.1.** In the Plan of Operations of the India-WFP Project 618, as agreed by the Government of India and the World Food Programme of the UN, the broad lines of action chartered for Operation Flood are detailed below:

- Major increase in the capacity and through put of dairy processing facilities;
- competitive transfer of the bulk of the urban markets for the traditional supplies of raw milk to the modern dairies;
- resettlement in rural areas of cattle in the cities, which at present serve a large part of these city markets;
- development of the basic transportation and storage network to facilitate regional and seasonal balancing of milk supply and demand;
- Development of milk procurement systems in appropriate rural areas in order to provide for raw milk a channel which is more remunerative than the traditional channel; and
- improvement in standards of dairy farming by programmes of animal breeding, veterinary services, foodstuff supplies and management thereby increasing milk yields per animal.

**3.2.** In pursuit of these objectives, the Corporation's activities comprise a comprehensive and integrated programmes. It is divided into the following eleven Action Items:—

#### *Action Item No. 1*

Expansion of the dairies' existing capacities in the four major cities to obtain a rapid increase in their distribution of liquid milk.

**Action Item No. 2**

Expansion of handling capacity by additions to existing handling facilities and erection of new urban liquid milk plants.

**Action Item No. 3**

Storage and long-distance milk transport facilities.

**Action Item No. 4**

Milk collection and Chilling Centres.

**Action Item No. 5**

Feeder|Balancing Milk Plants.

**Action Item No. 6**

Resettlement of City-kept Cattle and Buffaloes.

**Action Item No. 7**

Increasing milk production by provision of Technical Inputs.

**Action Item No. 8**

Development of Improved Milch Animals.

**Action Item No. 9**

Building up Milk Producers' Organisations for Milk procurement, processing and marketing and for marketing of inputs of Milk Production Enhancement.

**Action Item No. 10**

Project Planning, Implementation and Manpower development.

**Action Item No. 11**

Miscellaneous including unloading, storing and inland transportation of commodities.

3.3. On successful completion of the Project, the following benefits are expected to accrue to the dairy industry in the country:—

- availability of wholesome milk at stable and reasonable prices to the bulk of city consumers, with major effects on

protein intake, particularly to vulnerable groups, namely pre-school children, nursing and expectant mothers;

- improved productivity of dairy farming in extensive rural areas bringing major increases in agricultural output and incomes with special emphasis on improvement of the income of small farmers and landless people;
- removal of dairy cattle from the cities where they represent a growing problem in terms of genetic waste, social cost and public health; and
- establishment of a broad basis for accelerated development of the national dairy industry in the post-project period.

3.4. According to the Plan of operations the project, which was to have a duration of five years (now extended to 7 years) was to be divided into three phases as follows:—

*Phase 1 (from 12 to 18 months).*—Each of the four major cities' liquid milk plants will be brought up to full capacity, with additional supplementary equipment where necessary. WFP skimmed milk powder and butter oil will be used to extent local supplies of milk and thus maximise throughput in each milk plant. Resettlement of city-kept cattle and buffaloes will be initiated and assistance will be provided to those cattle and buffalo owners who express a desire to move to rural milkshed areas. The financial assistance will be given towards the cost of cattle sheds and ancillaries, land, housing for cattle keepers, irrigation, seeds, fertilisers and for the transportation of cattle to new locations.

3.5. An analysis of each city's supply and demand potential and planning of the facilities and manpower required for each liquid milk scheme to obtain a commanding share of its market will be conducted. Construction of first round expansion of milk processing facilities in each city will be initiated. Detailed plans for improved milk marketing, procurement, processing facilities and production will be made during the first phase of the project. Special warehouses will be constructed in Bombay, Calcutta, Madras and Kandla with proper ventilation and temperature control, to store at one time up to 10,000 metric tons of dried skimmed milk and 4,000 metric tons of butter oil.

*Phase 2 (upto the end of 36 months).*—Additional milk processing facilities which will have been expanded in each city during



Phase 1, supplementing local milk procurement with WFP commodities in order to obtain maximum throughput, will be used to full capacity. Additional milk procurement from former city-kept cattle and buffaloes resettled in rural areas during Phase 1, as well as from new and enlarged milk production and procurement projects will be organised. Assistance will be given to any remaining city-cattle and buffalo keepers who wish to resettle in rural areas. This assistance will also take the form as indicated in Phase 1.

Any further milk processing facilities required by each city's liquid milk schemes for the purpose of obtaining a commanding share of its market will be completed. Rural organisations to supplement local procurement from each city's milk shed area will be expanded.

*Phase 3 (last 24 months).*—Consolidation of new and expanded facilities for increasing milk production and procurement and phasing out of WFP commodities. Peak utilisation of milk powder and butter oil will come during the third year of the project, at 1.1 million litres equivalent daily. This will, thereafter, be progressively replaced by milk procured from rural milk shed areas and from resettled city milch animals.

3.6. The plans for Phases 2 and 3 will be worked out in detail during Phase 1. The work done during Phase 1 will be evaluated and the plans for Phases 2 and 3 will be appraised prior to the commencement of Phase 2 as stipulated in the Agreement of Plan. During Phases 2 and 3 efforts will largely be concentrated on the improvement in milk collection, distribution and price policy, animal production and fodder production on the following lines:

- (a) *Milk collection.*—In addition to existing producers' co-operative societies, new societies will be established for milk collection at the village level. Subsidies, credit facilities, technical advice and guidance will be made available to such societies. Adequate transport facilities will be established for the transportation of milk from rural to urban areas.
- (b) *Animal production.*—Technical inputs required for increased production, such as extension and animal health services, artificial insemination, improved breeding stock, irrigation equipment, fodder crop services etc. will be provided.

- (c) *Fodder production.*—In addition to expanding and intensifying the cultivation of fodder crops, feed mixing plants will be established to meet the feed requirements of the cattle. The programme of work of India|SF 42—"Grassland and Fodder Development Project" will be geared to meet the requirements of this Project to the fullest possible extent.
- (d) *Distribution and Price Policy.*—Attention will be devoted to market research and sales promotion methods and studies will be made covering various aspects of demand and supply in each of the major milk schemes.

3.7. It has been stated by the Corporation that Action Item Nos. 1, 2, 4, 5, 6 and 7 are being implemented by Project authorities in the States and Union Territory. Programmes under Action Item Nos. 3, 8, 9, 10 and 11 are under the direct investment of the I.D.C.

3.8. Time schedule for completion of the various Action Items had been fixed in the original Plan of Operations agreed with WFP and now extend by two more years.

3.9. The percentage figures of Action Item-wise|year-wise targets and actual expenditure since inception of Project till September, 1975 are given in Appendix-I. It has been stated by IDC that it is expected that the schemes relating to Action Items 1 to 5, 8 and 9 will be completed by June, 1977. The delays have resulted in escalation of costs.

3.10. In regard to the slow progress of the project, the representative of the Ministry of Finance pointed out during evidence that:—

"There is no doubt that in the initial one and half years there was lapse on the part of our organisation. You may call it IDC or the Agriculture Ministry; that in an administrative aspect with which I am not directly concerned."

3.11. When the Committee drew the attention of the Ministry of Agriculture to the aforesaid remarks, the Ministry in a written reply after evidence stated:—

"The project did not progress in the first phase according to the targets, as no lead period was provided to prepare for taking up the programme. Raising of the required infrastructure for taking up expansion of the existing dairy

plants and construction of new (recombining) plants took time because of initial teething troubles in setting up the organisation.”

**3.12.** As regards the remedial measures, the Ministry stated that:

...after the initial delays, the project picked up and the progress is being maintained. Government has advised IDC for speedier complementation of Action item No. 9 (Organisation of Rural milk) and early commissioning of the new dairies. In addition, the Board of directors of the IDC is being enlarged to give adequate representation to the participating States to ensure their active involvement and bring about speedier implementation of the Project.”

**3.13.** The Committee note that the Corporation has drawn up a comprehensive and integrated programme of eleven Action items under the ‘Operation Flood’ which are to be completed in three phases over a period of five years, now extended to 7 years (i.e. by end of June, 1977). Action items Nos. 1, 2, 4, 5, 6 and 7 are being implemented by Project authorities in the States and Union Territories and Action Items Nos. 3, 8, 9, 10 and 11 are under the direct investment of the Corporation. The representative of the Ministry of Finance has stated during evidence that in the initial one and a half years “there was lapse on the part of our organisation, you may call it IDC or the Agricultural Ministry.” The Ministry of Agriculture stated that the Project did not progress in the first phase according to the targets as no lead period was provided to prepare for taking up the programme and raising of the required infra-structure for taking up expansion of the existing dairy plants and construction of the new plants took time because of initial teething troubles. After the initial delays, the project is reported to have picked up and it is stated that the progress is being maintained.

The Committee are informed that the schemes relating to Action items Nos. 1 to 5, 8, and 9 are expected to be completed by June, 1977. From this the Committee are left with the impression that the other Action Items are not likely to be completed even by the end of the extended period of the Project. They have made observations on the progress made under individual Action Items in the subsequent sections of this chapter.

## B. "Mother Dairies"

3.14. One of the primary tasks of 'Operation Flood' is the expansion of the dairies' existing capacities in the four major cities to obtain a rapid increase in their distribution of liquid milk and expansion of handling capacity by additions to the existing handling facilities and erection of new urban liquid milk plants. According to Phase I of the Plan of Operations, construction of first round expansion of milk processing facilities in each city will be initiated. Accordingly a central processing unit (referred to as the Mother Dairy) is a compact plant of modular design, which is such that each element is supplied ready for rapid installation and easy connection with the plant's system for distribution of steam, electricity and water. The main characteristics of the Mother Dairy are bulk reception and despatch of milk, eliminating the need for cans and bottle washing facilities, the use of vertical insulated milk storage silos—and a consequent reduction in the required floor space of approximately 50 per cent compared with conventional dairies. The dairy is designed to receive milk in bulk from rural feeder dairy and has not to set up its own milk procurement organisation in rural areas.

3.15. The processing system of a Mother Dairy is a versatile one. Each such plant can process upto 400,000|200,000 litres daily of fresh liquid milk and/or butter oil and skim milk powder combined into liquid milk. The use of higher-temperature pasteurising, combined with chilling the finished product to lower temperatures, ensures a longer than usual life for the finished products.

Despatch of each Dairy dairy's output of 400,000 litres can be achieved by the use of 16 to 25 bulk-milk tankers compared with the 200 trucks which would be required for a conventional plant of similar capacity. These tankers can be used day and night to move the dairy's output to the ending points throughout the city, unlike the conventional system under which bottles have to reach the booths at the appointed hour and then there is another trip to collect the empties.

3.16. The Mother Dairy System incorporated several advantages over the traditional dairy. The system eliminates substantial capital investment specially in costly equipment such as bottling plant etc. thus leading to a substantial reduction in the delivered cost of a litre of milk. Besides, the system reduces the time required for construction from three years for a conventional dairy to a year. Above all, the system makes available clean wholesome milk for longer hours—it is one step towards 'marketing' milk instead of rationing.

Since the system was introduced in Delhi it has evoked considerable interest in many State Governments and other dairy organisations. The NDDB has already received firm orders from the Governments of Tamil Nadu and Kerala and the Baroda District Co-operative Milk Producers' Union Ltd. for a number of these units for market-tests prior to large scale commercial application. In the meanwhile the NDDB is continuing its research work with a view to improving the efficiency of the system.

(i) *Mother Dairy, Delhi*

3.17. The dairies in the four major cities of Bombay, Delhi, Calcutta and Madras had combined capacity of 10 lakh litres daily against the estimated demand of 32 lakh litres in 1970. To begin with the capacities of the existing dairies were expanded to 15 lakh litres. In order to capture a majority share of the market, Operation Flood proposed the construction of New Dairies in the four cities thereby increasing the combined capacities to 29 lakh litres by the end of the project.

3.18. It has been stated by IDC that the IDC's project report recommending the construction of the New Dairy at Delhi with 200 Bulk Vending Units at the cost of Rs. 471.47 lakhs was submitted to the Ministry of Agriculture and the Planning Commission in July, 1971. The project report envisaged the completion of the dairy in August, 1973. However, the IDC received the Government's sanction to the project 13 months after the proposal was submitted. In addition, there was an inordinate delay in acquiring the site for the New Dairy. When the Delhi Development Authority finally handed over the site on June, 16, 1973 there were only 60 days left to construct a 4-lakh litre dairy. There was also considerable delay in the acquiring of the sites for the vending units. The IDC initially selected the required number of sites strategically located for maximising sales. Because a number of public agencies were involved in arriving at a decision to hand over the sites a serious delay had already occurred in the process of decision-making. What is more, many of the sites finally handed over to the IDC were not the best selling milk. The matter did not end there. When action was initiated to establish the booths, the Urban Art Commission required that changes be made in the basic design of the booth which raised the cost of construction still further.

3.19. Situated on a 38-acre plot at Patparganj (Delhi), the New Dairy with the capacity for processing 4,00,000 litres of milk per day, has been built at a cost of Rs. 300 lakhs, imported equipment repre-

venting Rs. 80 lakhs. In addition, it is expected that the 200 vending units proposed to be established in the city will cost Rs. 171 lakhs. The Dairy is designed to receive fresh milk (from the Milk Grid), pasteurise, standardise, and homogenise milk. The Dairy is also designed to augment fresh milk supplies with milk recombined from skimmed milk powder and fat. The Dairy sells pasteurised and homogenised milk containing 4.5 per cent fat and 8.5 per cent solids non-fat, at Rs. 2.20 per litre (rate reduced to Rs. 2.00 per litre from 15th December, 1975 till 31st March, 1976). They pay to the farmers @ Rs. 1.89 per litre.

Through the use of modern technology and stringent quality control system the Dairy ensures that the milk remains fresh and hygienic until it reaches the consumer. After pasteurisation the milk is chilled to 2 degree Centigrade by a special Glycol Chilling Machine, before it is despatched to the vending unit. At the vending unit, the milk is stored in a refrigerated room at 5 degree Centigrade in order to prevent bacterial growth and consequent deterioration of milk. Quality control is strictly enforced at all levels including at the booths by drawing samples as well as surprise checks in order to ensure that the milk at all times adhere to standards.

3.20. The New Dairy was commissioned in December 1974 with four vending units operational. By the end of November, 1975, 61 vending units were operational. It is expected that by the end of March 1976, 200 units would be installed and functioned. The vending units are manned by concessionaries who are ex-service men. It has been stated by IDC that the experience in Delhi so far indicates that the system enjoys a high degree of consumer acceptance. The total milk sold through the units increased from 1500 litres in December, 1974 to 24,000 litres in November, 1976.\* The dairy draws its milk supplies from the milk sheds of Uttar Pradesh and Haryana.

3.21. Asked about the reasons for long delay in sanctioning the project report of new Dairy by Government, the Ministry stated in a reply after evidence that the Dairy was not to have conventional system of sale of milk in bottles, but the distribution was to be through bulk vending milk booths where pre-determined quantities of milk were dispensed into the customers container.@ The proposal was received by Government in July, 1971. The NDDB had meanwhile taken up construction/fabrication of bulk vending booths local-

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\*About 68,000 litres per day at the end of March 1976, as intimated by IDC at the time of factual verification.

@At the time of factual verification the Corporation stated :-

“The correct position is that the decision about manufacturing of bulk vending units indigenously instead of importing them, was taken in the meeting held in the Ministry on 13th September, 1973. Till then, the proposal was to import the bulk vending units”

ly instead of importing the units. After obtaining clearance from different departments including the Department of Supply, Ministry of Works and Housing, Planning Commission and the Ministry of Finance, the sanction of Government was issued in August, 1972 which included the construction of the 2nd Dairy in Delhi along with 200 bulk milk vending booths on a turn key basis.

3.22. Asked about the criteria for selecting the location of milk booths in Delhi under Mother Dairy, the Ministry in a reply after evidence stated that the Department of Agriculture had given guidelines to NDDDB that the selection of sites for location of bulk milk vending booths for supply of milk by the second dairy in Delhi should be made on the consideration that areas in the walled city, the new colonies that had come up in and around Delhi, and the areas where the DMS had not fully satisfied the demand through its booths, should be catered first. This involves selection of sites in consultation with the residents of the area and clearance from the local municipality or the Delhi Development Authority as the case may be. The Commissioning of bulk vending booths also requires electric water and sewerage connection.

3.23. On being asked whether they proposed to set up milk booths in walled city of Delhi and other remote localities (including Jhuggie/Jhonpri Colonies) of the city, the Ministry stated :—

“Yes, sites have been selected in the walled city and also in the J. J. Colonies and the NDDDB has already requested the concerned municipal authorities or D. D.A. for requisite clearance.”

3.24. Dealing with the question of management of the New Dairy, the IDC has stated in a note after evidence that:—

“When the question of setting up the New Dairy came up, under instructions of Ministry of Agriculture, the Delhi Milk Scheme took steps to find suitable location and for acquisition of land for the New Dairy. At that stage, the Chairmn, IDC|NDDDB indicated to the Ministry that as DMS had some serious problems with regard to its own running, it would be desirable to operate the New Dairy through a separate management such as an autonomous corporation. The objective was that the New Dairy should be able to function as a viable and efficient dairy organisation uninhibited from the problems of the DMS. It was also felt that the new Corporation set up to manage the New Dairy might take-over the DMS later on.

Prolonged discussions took place and the Ministry ultimately proposed the idea of forming a Committee headed by Dr. V. Kurien, Chairman, IDC/NDDB to temporarily run and handle both the New Dairy and the existing Delhi Milk Scheme Dairy. Ultimately, this proposal did not materialise. Meanwhile, the New Dairy became ready for trial runs and commissioning and the IDC requested the Ministry of Agriculture to take over the Dairy. At this stage the Ministry of Agriculture decided that until a final decision on the future set up of the Dairy is taken, the NDDB which had constructed the Dairy on a turn-key basis should be entrusted with the job of trial runs and commissioning the Dairy.

Meanwhile the Ministry of Agriculture asked the IDC to submit a proposal for setting up of a subsidiary of IDC to run the New Dairy at Delhi. Such proposal has been submitted by the IDC to the Ministry of Agriculture but the Government decision is not received so far."

3.25. Asked about the specific reasons for taking a decision regarding the new dairy plant at Delhi to be run by another Corporation, the Indian Dairy Corporation in a reply after evidence stated that "even before the Mother Dairy was established, the Government was considering conversion of the existing Delhi Milk Scheme into a Corporation. The object of keeping Mother Dairy as a separate organisation is to run it on commercial basis and to insulate it from the existing Delhi Milk Scheme which is infested with disciplinary and administrative problems and has a disproportionately large number of employees. Once the New Dairy Plant at Delhi settles down as a separate unit, it will be instrumental in improving Delhi Milk Scheme also.

Another alternative was that two separate Corporate bodies might run the two dairies so that there would be some element of competition in management in the interest of consumers. In such case, there should be a body to coordinate the functions of the two corporate bodies."

3.26. When asked whether these would not be overlapping of functions of the DMS and the Mother Dairy in Delhi, the Corporation stated that :—

"No over-lapping of the functions is visualised, on the other hand, the Mother Dairy will ensure continuance of supplies in the event of work stoppage or plant failure in the other plant or *vice versa*."



3.27. As to the relationship of Mother Dairy subsidiary in Delhi with the DMS, the Corporation stated that "the Mother Dairy is only on trial run now. When this is taken over by the Ministry of Agriculture or by the agency to be named by the Ministry of Agriculture, the Ministry of Agriculture will decide the relationship."

4.28. In this connection the Ministry in a reply after evidence stated that "the 2nd dairy in Delhi along with 200 milk vending booths is yet to be completed and handed over to the Government. Therefore Government has not taken a final decision in regard to agency which should be entrusted to run the second dairy in Delhi. The proposal of the IDC for a subsidiary company under the IDC to run the dairy is one of the alternative proposals under consideration. No decision has been taken as yet."

3.29. Asked whether it was necessary to have separate organisations to run the Mother Dairy of IDC and the already existing DMS, the Ministry stated that, the whole issue relating to the agency which would ultimately be entrusted to run the dairy, together with various alternative including a separate corporation, as a unified agency to run, both the DMS and the second dairy was under consideration of the Government.

3.30. It was stated by the IDC that in its view the Dairies in the metropolitan cities should be run by corporate bodies with effective representation from producers of their milk sheds. In case of Delhi, it would be desirable to have representations from feeder-balancing dairies located in the milk shed areas of Haryana, Punjab, Rajasthan and Western UP which would undertake to supply milk to the dairies at Delhi.

3.31. In this connection, the Ministry stated that the above suggestion for giving representation to various interests would be given due consideration as and when a final decision was taken.

3.32. On the Committee enquiring as to whether the economics of the project had been worked out, the Corporation stated that "the Mother Dairy in Delhi, whether it is to be run by a separate Corporation or as a departmental undertaking, is justified on the basis of economics. The main feature of the Mother Dairy is lower cost of processing and distribution so that the producers and consumers benefit and the Dairy is not saddled with any losses."

(ii) *Mother Dairy at Bombay*

3.33. Under Operation Flood Project, it was decided to set up a Mother Dairy at Bombay with a capacity to handle 4 lakh litres of milk per day. The Agriculture Department of the Maharashtra Government proposed in July, 1971, the setting up of the new dairy at Bombay at an estimated cost of Rs. 769.50 lakhs. The Indian Dairy Corporation suggested to the Agriculture Department in November, 1971 to consider the concept of the Mother Dairy for Bombay at an estimated cost of Rs. 471.47 lakh on the same basis on which identical dairies had been sanctioned at Delhi and Calcutta.

The main characteristics of the Mother Dairy are bulk reception of milk, the use of vertical insulated milk silos located outside the building and distribution of milk in bulk-eliminating the need for cans and bottle washing and reception facilities with a consequent reduction in floor space of about 50 per cent as compared to conventional dairies. Elimination of bottling also envisaged reduction on costly milk transportation system and consequent reduction in recurring costs on packaging and distribution. In December, 1971, the Maharashtra Government accepted this concept and proposed to IDC to sanction Rs. 471.47 lakh for Mother Dairy Project at Bombay in addition to Rs. 39.40 lakh for reclamation of the project site. As proposed by the Maharashtra Government the IDC accepted (January, 1972) in principle the establishment of the Mother Dairy at Kurla and sanctioned a sum of Rs. 15 lakh for land reclamation. The National Dairy Development Board was engaged by the Maharashtra Government as consultants for civil work. The rest of the job was to be handled by a special Cell created for the purpose by the Agriculture Department of Maharashtra Government. The Construction of the Mother Dairy at Kurla started in September, 1972. However, in October, 1972, the Maharashtra Government forwarded an estimate amounting to Rs. 880 lakh for the Kurla Dairy. The Maharashtra Government was intimated in November, 1972, that it would not be possible for IDC to agree to this proposal and they were advised to reduce this estimate appreciably. The Maharashtra Government agreed to this suggestion and issued a sanction order on 25-7-1973 amounting to Rs. 521.83 lakh for establishment of the Dairy based on the bulk vending system but without committing to this system. These proposals, however, could not be scrutinised in IDC since details of cost of indigenous equipment and their installation were not furnished and also the distribution system was kept open.

Nevertheless, pending finalisation of the estimates, the IDC Board in February, 1975 sanctioned a sum of Rs. 486.47 lakhs on Kurla Dairy (including Rs. 15 lakh for land reclamation) based on the project estimates of the identical Mother Dairy, Delhi so that work can go on uninterrupted. The IDC also advanced funds and provided imported equipment. The Maharashtra Government in October, 1974, wanted to carry out trials with two bulk vending machines and asked for finance for the purpose. The IDC agreed to this proposal and requested the Maharashtra Government not to go ahead with their plans to instal bottling plant pending trials on bulk vending machines as it would not be possible to alter the dairy and distribution system once the bottling plants were installed. It has been pointed out by IDC that it has not been possible to undertake these trials to date (February, 1976) as it has not been possible for the Maharashtra Government to provide two sites for this purpose. Later in March, 1975, the Maharashtra Government intimated its intention to distribute a minimum of 2 lakh litres of milk in bottles and installation of bottling plant in such a manner as to permit expansion upto 3 lakh litre per day and the balance of one lakh litres of milk was proposed to be distributed in plastic sachet packets. It was pointed out to Maharashtra Government that IDC could not agree to sachet packing due to its dependence on petroleum based products and the high costs involved in milk packaging and delivery as compared to the original concept of the Mother Dairy on bulk vending. Furthermore, millions of plastic sachet will increase pollution problem.

3.34. The Kurla Dairy was on trial run from October, 1975 and the formal commissioning was done on February 9, 1976. It is stated that Maharashtra Government propose to adopt the following distribution pattern:—

- (i) 1 lakh L milk/day through  $\frac{1}{2}$  L and 1 L Sachet packets.
- (ii) 1 lakh L milk/day in cans; and
- (iii) 2 lakh L milk/day in mobile tankers.

The Sachet packing machines which were earlier functioning in Worli Dairy have been transferred to Mother Dairy, Kurla.

3.35. IDC is awaiting estimates of the complete Kurla Project incorporating the final decision of Maharashtra Government with regard to distribution system.

*(iii) Mother Dairy at Madras*

3.36. It is stated that the installation of the new Mother Dairy of 2,00,000 litres capacity at Madras is almost complete, except for installation of CIP tanks which is under progress. The Tamil Nadu Dairy Development Corporation (TNDDC) has decided to start with 50 bulk vending units. Final decision regarding the complete pattern of distribution of milk is yet to be taken by the TNDDC. It is understood that the TNDDC is going to instal some sachet packing machines which they have already got for the existing dairy at Madhavaram.

The Dairy was expected to be commissioned during August-September, 1975, but it has been stated by IDC in a note after evidence that "the Dairy has not yet been commissioned. There are still some items to be completed and the vending booths to be installed after the sites are located."

3.37. In a subsequent reply (March, 1976) the Corporation stated that the trial runs of the Dairy, Madras had been started from December, 1975. Three bulk milk vending machines had been commissioned. Remaining 24 units were under construction. The Tamil Nadu Dairy Development Corporation desired to distribute some milk in sachet packs.

*(iv) Mother Dairy at Calcutta*

3.38. The construction of the new Mother Dairy of 4,00,000 litres capacity at Calcutta is stated to be in progress. The imported and most of the indigenous equipment have reached the site. The Dairy is expected to be commissioned by mid-1976. The IDC has informed the Committee that the West Bengal Government is considering the following distribution system:—

2,00,000 litres milk per day in cans,

10,000 litres of milk per day in bulk vending units and the remaining 1,90,000 litres of milk in sachet packing.

The IDC has agreed for the distribution of milk in cans and bulk vending units but has not agreed for sachet packing. The matter is being considered by the West Bengal Government.

3.39. Asked about the steps taken to ensure that the dairy would be commissioned according to schedule, the Corporation stated that "the dairy is expected to be commissioned by June, 1976. It is hoped that the distribution system will be finalised by that time. The West Bengal Government, was earlier requested to finalise the administrative set-up for running the Dairy, and training the personnel. The matter has been taken up at a high level, and the IDC has been assured that appropriate steps are being taken in these directions."

3.40. In a subsequent reply (1st March, 1976), the Corporation further stated:—

"The dairy will be complete by latter half of 1976. The project authorities decided in August, 1975 to distribute milk in the following manner:—

- (i) 2 lakh litres of milk per day through milk cans;
- (ii) 1.9 lakh litres of milk per day through polythene sachets and
- (iii) 10,000 litres per day through bulk vending system.

For the time being arrangements are being made to distribute 2 lakh litres in cans and about 10,000 litres through bulk vending units."

3.41. Asked about the coordination amongst the dairies opened under IDC Programme and the dairies already working in the cities to ensure that all parts of the city and all sections of populations are fully covered, the Corporation stated that "in Bombay, Madras and Calcutta, the existing dairies as well as the new dairies (being set up under Operation Flood) are being operated or controlled by the State Governments. In Delhi, the existing dairy is being run by the Department of Agriculture, Ministry of Agriculture. The new Dairy is likely to be run by a public sector undertaking to be sponsored by the Department of Agriculture, Ministry of Agriculture and therefore the Ministry of Agriculture will arrange for its coordination. The Ministry of Agriculture and the State Governments concerned are likely to see to the opening of retail outlets to ensure that all parts of the city and all sections of the population are fully covered. In the milk sheds of the metropolitan cities, there are no existing dairies and only new feeder/balancing dairies are being set up to mop up marketable surplus of milk. It will be necessary to ensure co-ordination between these feeder balancing dairies and the city dairies so that a national milk grid can operate satisfactorily. The IDC's

responsibility and authority will need to be strengthened if it is effectively to manage the milk grid."

3.42. The Committee note that as part of phase I of the 'Operation Flood', the IDC evolved a central processing system, otherwise, called 'Mother Dairy'. The Committee are informed that though the Corporation submitted the project report for the construction of the Mother Dairy at Delhi to the Ministry of Agriculture and the Planning Commission in July, 1971, the sanction of the Government was issued in August, 1972. The Dairy which was to be completed in August, 1973 was actually completed and commissioned in December, 1974. It has been stated that since the Dairy was not to have the conventional system of sale in bottles but through bulk vending milk booths, the clearance of the proposal by different departments took time. Even then, the Committee regret to observe, there was no justification for the Government to take 13 months to issue sanction to the project which ultimately resulted in delaying the completion and commissioning of the dairy.

The Committee are informed that one of the reasons for the delay in commissioning was the inordinate delay in acquiring the site for the Dairy which was stated to have been handed over by the Delhi Development Authority in June, 1973, i.e. about 60 days before the scheduled date of commissioning. There was also considerable delay in acquiring sites for the vending units because a number of agencies were involved in arriving at a decision in this regard. The Committee cannot appreciate the delay on the part of the Delhi Development Authority and other bodies in acquiring/deciding sites for the Mother Dairy and the vending units. They feel that the Ministry should have come forward and used their influence with the local authorities to cut short the delay and helped the Corporation/NDDDB in expediting the completion and commissioning of the Dairy.

3.43. The Committee are informed that, according to the guidelines issued by the Department of Agriculture areas in the walled city, the new colonies that had come up in and around Delhi and the areas where the Delhi Milk Scheme had not fully satisfied the demand through its booths were to be catered to first. They do not think that all the areas of South Delhi, where most of the 61 booths set up by November, 1975 are located, satisfy the criteria laid down in the guidelines issued to the NDDB in this regard. They would like to stress that the NDDB/Corporation should bear these guidelines in mind and set up booths first in these areas which are at present not served or inadequately served by the Delhi Milk Scheme so that there is equitable distribution of milk in all the parts of Delhi.

3.44. The Committee note that though sites have been selected by NDDB/Corporation for new vending units in the walled city and J.J. Colonies, the clearance of the concerned Municipal authorities has not been received. They would like the NDDB/Corporation to take up the matters with the Municipal and local authorities at the highest level and settle the matters expeditiously. They feel in such cases the Ministry should voluntarily lend full support to the IDC/NDDB in getting prompt clearance for its proposals from the Municipal authorities so that the target of setting up 200 booths by 31-3-1976 which the Corporation has set for itself can be achieved according to schedule and the people of these areas, particularly the economically weaker sections of people in J.J. Colony can get milk without any difficulty. The Committee would like the Ministry/Corporation/NDDB to impress upon the local authorities/DDA that provision of sites for milk booths in new localities which are being developed or which may be developed in future should be part of the integrated planning in the new colonies so that there are no delays as and when it becomes necessary to open booths there.

3.45. The Committee need hardly stress that the working of machines and other equipment at each vending unit should be kept under continuous watch and, as and when any defect comes to notice, the Corporation/NDDB should ensure that it is attended to promptly to avoid inconvenience to the consumers. They hope that the Corporation has made regular arrangements to check the quality of milk in the vending units before the commencement of sale to ensure that the milk dispensed is of the prescribed standard.

3.46. The Committee note that initially it was proposed that as DMS had some problems in regard to its own running it would be desirable to operate the New Dairy (Delhi) through a separate management such as an autonomous Corporation. Later a proposal was mooted to form a Committee headed by Chairman IDC/NDDB to temporarily run both the DMS and the New Dairy (Delhi) but this proposal did not materialise. Meanwhile the New Dairy was ready for commissioning and the Ministry of Agriculture decided that until a final decision is taken in the matter, the NDDB which had constructed the New Dairy on a turn-key basis, should run the New Dairy. The Committee are informed that a proposal for setting up a subsidiary of IDC to run the New Dairy (Delhi) has been submitted to the Government, but no decision has been taken in the matter so far.

The Committee regret that the decision as to which agency will ultimately run the New Dairy (Delhi) was not taken before the

construction of the Dairy, started so that the agency could have been associated with the Dairy right from the construction stage and made all arrangements to organise the retail sale of milk and finalise other arrangements well in time or at least before it was commissioned. It is all the more regrettable that the decision has not been taken even after one year of the commissioning of the Dairy.

3.47. The Committee need hardly point that now when there are two public sector dairies in Delhi, Government will have to take steps to avoid duplication of efforts and overlapping of functions, arrange judicious location of booths in all parts of the city and ensure equitable distribution of milk among all sections of people. They are of the opinion that one integrated organisation to manage and control the affairs of both the DMS and the Delhi Mother Dairy will not only go a long way in achieving these objectives, but will also make it possible for the Management to keep the overheads on staff and fuel costs on transportation low, guard against unwholesome competition among milk producers and give them a fair deal, achieve economies of scale and pass on the benefits of low costs to the consumers. Needless to say, the integrated management of the two dairies will be able to bring about optimum utilisation of the bottling capacity of DMS and the storage capacity of the New Dairy. The Committee stress that Government should not lose any more time in taking a decision on the structure of the integrated agency to run the two dairies in the larger interests of the consumers and producers. If, however, the two dairies have to remain as separate units for some time till the organisational structure of one integrated agency is finalised, the Committee would like the Government to make some suitable functional arrangements to bring together the heads of the two dairies so as to ensure coordination in their activities and integration in their planning during the interim period.

3.48. The Committee recommend that the two dairies in Delhi should immediately conduct under the guidance of the Ministry, a joint survey of the area-wise milk demand in all the parts of Delhi, modality of distribution preferred by each locality and evolve a joint and long term strategy for setting up new or additional vending units/booths, consistent with their present capacity and future expansion so as to progressively cover all parts and all sections of the people of the city in a planned manner. They would stress that while setting up new milk booths the localities where economically weaker sections of society reside predominantly should receive prior attention and so long as there is price differential between the milk distributed by the two dairies, the opening of milk booths should be



so planned that booths of cheaper milk are preferably opened in localities of economically weaker sections.

3.49. The Committee also hope that the existing public sector dairies and the New Dairy in Bombay, Calcutta and Madras will also be advised to conduct joint surveys to plan an integrated approach in regard to the opening of new booths so as to ensure even distribution of booths and equitable supply of milk in all the localities.

3.50. Needless to say that the Delhi Mother Dairy is a new experiment and its working is being keenly watched not only by the people of Delhi but also by the people of Bombay where Mother Dairy has recently been commissioned and the people of Calcutta and Madras where such dairies will shortly be commissioned. The Committee need hardly point out that the management should not spare any efforts to ensure its economic and efficient working and earn consumer satisfaction so that its success sets the pace for other dairies and prepares the base for future schemes to subserve the underlying objects of 'Operation Flood'.

3.51. The Committee note that the construction of the Mother Dairy at Kurla (Bombay) started in September, 1972, and though the establishment of the Dairy was based on the bulk vending system, the Maharashtra Government, it is stated, did not commit themselves to this system of distribution. The State Government wanted to carry out trials with two bulk vending machines to which the IDC had agreed. The Committee are, however, surprised to note that it has so far not been possible to undertake the trial of bulk vending system as, according to the Corporation the Maharashtra Government was not able to provide two suitable sites for this purpose. The Committee are informed that the Maharashtra Government intended to distribute a minimum of 2 lakh litres of milk in bottles to be raised to 3 lakh litres later on and to distribute the balance of 1 lakh litres of milk in plastic sachet packets to which the IDC was not agreeable. The Committee learn that the Kurla Dairy has been formally commissioned on 9th February, 1976, and the Maharashtra Government propose to distribute milk through sachet packets (1 lakh litres), cans (1 lakh litres) and mobile tankers (2 lakh litres). The Committee will be interested to know about the experience of the working of this Dairy.

The Committee are concerned to note the lack of agreement between the Maharashtra Government and the IDC in regard to the distribution modalities. They regret to observe that an im-

important question like this was not finally settled before the commissioning of the Bombay Mother Dairy. They feel that in a situation like this, the Ministry should have intervened and taken initiative to resolve the problem well in time. They would like that at least now the Ministry should take up the matter with the State Government in the light of the Committee's observations in the subsequent section on "Distribution System" and resolve the problem so as to ensure efficient distribution of milk at most economic cost to the satisfaction of consumers.

3.52. The Committee find that cost estimates of Rs. 521.83 lakhs for the establishment of the Dairy incorporating the final decision of the Maharashtra Government with regard to distribution system are still awaited by the IDC. The Committee would like the Corporation to obtain the details of the cost estimates from the Maharashtra Government without further delay and finalise the matter expeditiously.

3.53. The Committee note that the Mother Dairy at Madras which was expected to be commissioned during August-September, 1975, has not been commissioned so far though the trial runs have been started from December, 1975. Three bulk vending units have been commissioned and the remaining 24 units are stated to be under construction. The Committee suggest that Corporation should take all measures in consultation with the State agencies and local authorities to ensure that there is no further delay in commissioning the Mother Dairy. As regards the distribution system to be adopted by this Dairy, the Committee have made observations in a subsequent section of the Report.

3.54. The Committee are informed that the Calcutta Mother Dairy was expected to be commissioned by June, 1976 and the IDC had been assured by the West Bengal Government that appropriate steps for setting up the administrative machinery to run the dairy and train the personnel were being taken. They are now informed that the Dairy will be completed by later half of 1976. The Committee are unhappy to note that there will be slippage in the completing and commissioning of the Mother Dairy. They stress that the Corporation/Government should take stock of the position, in consultation with the State Government and local authorities, take concerted and concrete measures in the light of their experience in other Metropolitan cities so as to ensure that the Calcutta Mother Dairy is commissioned without avoidable delay.

3.55. The Committee are greatly disturbed to find that even though the construction of Madras and Calcutta Mother Dairies has reached the final stage, final decision regarding the modalities of distribution of milk of these dairies has not been taken so far.

They need hardly point out that delay in taking timely decision in this important matter is sure to reflect on the timely commissioning of the respective Dairies. They recommend that the distribution modalities should be decided without any further delay, at least well before the commissioning of the dairies in these places. The Committee have made detailed observations in this respect in a subsequent section.

3.56. The Committee have no doubt that the Corporation/NDDB and the Managements of the New Dairies in the four Metropolitan cities keep in mind their responsibilities to develop milk sheds in the hinterland and will make continuous efforts in that direction so that as the demand grows, they can procure larger supplies of milk to meet the local demand. They would suggest that constant watch should be kept on the demand and supply of milk in these cities so as to ensure that supply matches the expanding demand, and not only the producers get fair price for their milk but the consumers also receive milk of good quality at competitive price. The Committee would like the demand and supply of milk, pricing and the opening of milk booths to be suitably reflected in the Annual Report of the Corporation.

3.57. The Committee are informed that in Bombay, Madras and Calcutta, the existing dairies and the new dairies being set up under 'Operation Flood' are being operated or controlled by the State Governments. They need hardly point out the need for a close and continuous cooperation between the existing dairies and the new dairies so as to ensure that there is fair and equitable distribution of milk in all parts of the cities and amongst all sections of the people. Particularly the economically weaker sections of society. They have no doubt that some sort of institutional arrangement will be made to bring about close coordination between the existing dairies and the new dairies in Bombay, Calcutta and Madras to avoid duplication of efforts and overlapping of functions in the interest of their efficient and economic working. The Committee would like to invite attention to their observations made in regard to Delhi Mother Dairy in paras 3.47 to 3.49 and hope that these observations will be kept in mind while commissioning and running the Mother Dairies and setting up vending units in Bombay, Calcutta and Madras.

3.58. The Committee would like that the working results of the Mother Dairies in Delhi, Bombay, Calcutta and Madras should be maintained separately so as to enable the Government and the management to keep a watch on its economics and profitability and take remedial measures as and when necessary.

### C. Distribution System

3.59. In the Draft Report presented by the second UN/WFP Inter-Agency Review Mission, it was recommended that "to increase the distribution of milk in the four main centres and maximise the increased processing capacity now available the following actions be taken:

- (a) accelerated installation of bulk vending equipment by all possible means;
- (b) bulk distribution of milk in cans. Most city consumers are used to buying milk from private vendors and thus should have no objection to this;
- (c) maximum use of existing bottling facilities.
- (d) use of one way, non returnable containers.

Such actions should also help to generate maximum funds from the balance of WFP supplies before the out off date in July, 1977. The team witnessed the operation of token operated bulk vending units in Delhi and Anand. The team also noted that the design of the mother dairies favoured the distribution of milk through such vending units. The advantages of bulk vending, namely reduced transport costs, lower temperature milk with consequent increased keeping quality, no bottle deposit or forward payment required on the part of the customer, and minimised risk of adulteration were all significant elements to recommend the system especially in the light of the energy crisis. The team found however that there was local concern relative to application in certain congested city areas."

3.60. It was recommended by the Mission that studies be undertaken by the NDDB to simplify, if possible, the construction of the bulk vending units in order to speed up the availability of additional units. Any possible simplification might also relieve pressure on maintenance expertise. It might also be useful to study the possibility of industrial manufacture of complete units consisting of prefabricated modules of light structures to be erected on concrete slabs in a few days.

3.61. The Second Inter-Agency Review Mission added in their Report that: "Up to now, the four city milk plants continue to dis-

tribute almost the whole of their output as bottled milk, sold from official booths. The booths are owned and run directly by the milk schemes, using part-time staff, and are open daily for restricted periods during each morning and evening. Milk is issued in exchange for tokens and the customers are required to buy blocks of tokens in advance. Such a distribution system is relatively inexpensive but it has little regard for consumer convenience. It has worked tolerably well up to now only because the demand for pasteurized milk has usually exceeded the supply. For the future, the authorities, in some cases at least, propose to make increasing use of retail shops and approved agents for sales of bottled milk.

The mother dairies will depend mainly in bulk distribution systems, and it is not intended to equip them with bottling lines. Milk is to be carried from each mother dairy by bulk tanker to retail selling points dispersed throughout the city.

The project authority has studied various methods of retailing and now believes that a system of sealed vending machines is the best adopted to local needs. The project authority estimates that milk can be sold by this method at a cost of 10 paise a litre less than that incurred in selling in bottles. They are confident that this system can be suited to the citizens of Delhi, Bombay and Madras.

For Calcutta, where congestion in the streets is a special problem in milk distribution, it is planned to set up a number of local depots to be served by tankers from the mother dairy. From the depots milk will be dispensed in cans for retailing through licensed vendors or consumer cooperatives. Other possible systems of low-cost bulk distribution are also under study by the NDDB and may also find an important place in the overall arrangements. Distribution of milk in powder form may also be arranged to the extent that consumer preference allows. This would greatly reduce the problems of handling and quality control, and research into this possibility deserve to be undertaken.

Finally, there are plans to introduce the more expensive 'Tetra-pak' UHT milk for the benefit of the upper-income market groups.

Understandably, the project authority and milk scheme authorities are anxious to keep their options open as far as possible on new methods of distribution and as far as possible to take an empirical approach, developing particular systems in the light of experience and consumer preferences."

3.62. In this connection the Ministry in a reply after evidence stated that the mother (recombining) dairies were intended to be set up with the objective of speedier increase in the throughput of the city distribution system. As the proposal for introduction of tetrapak cartons had been dropped, the other alternative systems of distribution of milk under consideration were (i) bulk vending system (ii) polythene pouches (sachets) and (iii) conventional system of glass bottles.

(a) *Bulk Vending System*

3.63. It has been stated by the Corporation that Mexico City was the only place in the world where the Bulk Vending System was used for retailing milk.

3.64. A team constituted by National Dairy Development Board visited Mexico to make an on the spot study of the system' suitability to the Indian traditions. The team after its return recommended the use of the bulk Vending System for selling milk in India whereupon the Government of India commissioned the Indian Dairy Corporation to undertake a feasibility study of the New Dairy incorporating the Mexican system of distribution. The bulk vending system is electrically operated and the milk in its service tank is continuously circulated and chilled. The system is completely sealed and the milk delivery device is activated by inserting a special token. An attendant exchanges tokens for coins and supervise the machine to prevent misuse, but he does not have access to the milk supply.

3.65. The IDC's project report recommending the construction of New Dairy at Delhi with 200 Bulk Vending Units at the cost of Rs. 471 lakhs was submitted to the Ministry of Agriculture and Planning Commission in July, 1971. However, the Government's sanction to the said Project was received after 13 months.

3.66. Asked about the reasons for delay in sanctioning the bulk vending system by Government, the Chairman, IDC stated that "As we talked about bulk vending, the Government was a little chary of accepting it, because it was something new.... But it was known that this is one of the methods we shall use. As a matter of fact, bulk vending is the least-costly way of getting the milk to the consumer. The bottling pattern would cost 25 paise per litre; this would cost only 15 paise per litre, so there is some saving also...."

3.67. In this connection the representative of the Ministry informed the Committee during evidence that:

"I understand the main difficulty was about the introduction of the bulk vending booths. This is a new idea. It had been

tried in Mexico and it failed there. I understand our technical officers had difficulty in reconciling themselves to his idea. Even today it is too early to say whether these have been a success. Originally, it was intended to have 200 booths in Delhi. IDC have been telling us that they will be able to set these up within six months. That was in December, 1974. Today after a year, they have set up 61 and the offtake is 25,000 litres as against the expected 122,000 litres. So there are technical difficulties in setting up these booths. In fact, some of our technical officers are still not reconciled to the idea of these booths. . . . Originally, they were against these bulk vending but, later on they approved the proposal after some time. Even now some technical officers who come and discuss say that bulk vending machines are difficult and unless we can watch their performance we cannot be sure."

3.68. The Corporation in a reply after evidence informed the Committee that the NDDB was considering the possibility of developing simplified construction of bulk vending units. The present day cost of the machine was about Rs. 75,000/- excluding the cost of spares and the booths (This has now increased to about Rs. one lakh). These machines were now manufactured indigenously. However, in order to speed up the manufacture of the vending machines a proper manufacturing unit was need to be set-up. This was one of the reasons why the IDC had submitted a proposal to the Government to set-up a Dairy Machinery manufacturing unit as a subsidiary corporation.

3.69. In this connection the Ministry in a reply after evidence stated that:—

"Intimation regarding steps taken by NDDB to develop simplified construction of bulk vending booths is awaited. The NDDB has so far commissioned 61 bulk vending booths which are selling only 25,000 litres of milk. A milk booth is expected to sell upto 2000 litres a day. The present level of distribution is, therefore, not enough to make a bulk vending booth economically viable. A Committee under the Chairmanship of Joint Commissioner (DD) of the Ministry of Agriculture has been suggested to go into the techno-economic study of the system. The Committee is also to assess the economies and utility of the bulk vending

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At the time of factual verification, it has been stated by the corporation that the booths as designed by NDDB is suitable of handling conveniently a maximum of 1,400 litres of milk per day. The bulk vending machines on NDDB's design house 1,000 litres storage tanks.

booths after at least 100 booths are commissioned as suggested by NDDB”.

3.70. Asked about the maintenance cost of these machines, the Corporation stated that these machines had been put into use very recently, and it was too early to estimate maintenance cost. The maintenance cost of these machines was to be borne by the Dairy and included in the overhead cost.

3.71. On a suggestion that there is need to evolve an economical, simpler, smaller, portable, or mobile unit for distribution of milk in order to save capital cost, minimise maintenance expenditure, obviate too much dependence on power supply, the Ministry stated that proposed Committee would *inter-alia* go into this matter as well

3.72. Regarding working of bulk vending machines in the colonies which are not fully developed having no power supply, the Ministry stated that:

“It is unlikely that erratic power supply in the metropolitan cities may disrupt supplies of milk in certain areas. To meet the exigencies that may be caused by power failure for a short duration, bulk vending booths have been provided with facilities for dispensing of milk through batteries for about 3-4 hours. In colonies mostly inhabited by the weaker sections of the society, some milk booths have already been set up by the DMS and more will be set up after the DMS has expanded its installed capacity from 3.0 lakh to 3.75 lakh litres daily. The distribution of milk through the bulk vending booths along with sale of milk bottles is therefore, expected to work uninterruptedly as far as possible.”

3.73. On a suggestion regarding introduction of a simpler and smaller mobile vending unit which could also serve the purpose of providing home delivery service to customers besides generating more employment, the Corporation in a written reply informed the Committee that:—

“The objective is to create more employment in the rural areas in the field of milk production than in the field of distribution of milk in cities. Direct employment of large number of personnel by dairies creates personnel and administrative problems. The simplest possible distribution system by a mobile unit is delivery through milk cans which IDC has suggested and is being used already.”

3.74. Asked whether Corporation thought of a system whereunder the bulk vending machines could be given to private persons on



loan and they might sell milk on a commission basis and whether they have thought of having mobile units, the representative of the Ministry stated during the evidence that:

“In Greater Bombay this scheme is being tried.”

Asked about its results, he added:

“Not with much success; they have still teething troubles. In Bombay City, the problem is that they do not have enough space, the city is congested; also the water supply and electric supply are erratic. Therefore, they cannot have the bulk vending units. As an alternative, they are trying mobile vending units where they go to various localities and deliver milk at different timings. That is being tried. Another method is supplying in cans. As you will appreciate, because of the adulteration problem, it is very risky to give milk in cans. Of course, in a small way, this is being done.”

3.75. The Committee desired to know the views of the representative of the Ministry of Finance on the various systems of distribution of milk to be adopted by IDC. During evidence, he informed the Committee:

“IDC’s idea of bulk vending machines has to be seen in this context that this will open up another avenue for utilisation of the gift products. So, Government approved it, but there are certain difficulties. You cannot have an economic system with two hundred such machines. If you have 20,000 or two lakhs of such machines in the country, it will be justified and economic because a certain number will go out of order. Ten machines may go out of order and for repairing them you have to keep repair facilities for a hundred or a thousand machines. Therefore, it will be uneconomic.

Secondly, this requires a certain assurances of steady supply. We are speaking of a white revolution, but if, in spite of our best wishes and prayers, we have two successive droughts in the country, this milk supply will drop like anything and the first to be hit will be these machines. It is worthy trying these machines in countries where a steady improvement in dairy development has already been reached so that an assured supply will be there all along.

Thirdly, taking the initial investment cost, service charges, etc., into account, the price of milk supplied compared

to the bottling, etc. may not be much. But unless you again decide to subsidise this milk, as we are doing in the case of DMS—the West Bengal Government is subsidising to the extent of Rs. 3½ crores in Calcutta and the Government of Bombay to the extent of Rs. 20—30 lakhs—the price may be so high that the full utilization of these machines may not be there. The original idea, was that when these machines would be installed, they would be able to sell 2,000 litres per day by emptying 1000 litres twice a day. This would be a good utilisation of the cost of the machines. Now, they are able to sell 500 litres per day. Fourthly, these machines require some standard of maintenance and handling, which, in this country, at this stage of development, may not be possible. I would suggest that, at this stage of our development, probably for some of the areas of our country, this is too sophisticated a thing. \* \*I am looking at it purely from the point of view of the economic appraisal. I have no doubt in my mind that for most parts of India today this machine is not applicable. But there is a chance in a place like Delhi where the milk supply is good, people are used to take a lot of milk, of getting a good utilisation of more gift powder. Let us try this experiment. If you ask me about this machine in Calcutta, I will honestly say that there it will totally fail. It will never succeed there. The same argument will apply in the case of Tetrapak. It is too sophisticated a thing for us to adopt. We should not go in for these types of sophisticated things. I am making a general statement. But these are capable of economic feasibility analysis. It may be possible in some peculiar areas like Delhi which is not representative of India. Delhi's *per capita* income is Rs. 1800, whereas for the whole of India, it is Rs. 350. It may succeed here. It will give us some more generation of feed. We have decided to try it here. But.....uptill now, as against 2000 litres per day, they are selling only \*500 litres per day. They were started in January this year. If you take this view, then they have already failed. But it is too early to take this view. Let us wait for another six months or an year. This is the stage at which we are. After having started it, we do not want to condemn it."

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\*At the time of factual verification, it has been stated by the corporation that the average sale of booths' is about 800 litres per day in March, 1976 and about 20% of the booths have crossed 1000 litres mark. Please also see footnote at page 45.

3.76. Subsequently, the Ministry of Finance in a note after evidence stated:—

“I.D.C.’s bulk vending system for higher fat milk represents an attempt to get round the problem posed by limitation of handling capacities of metropolitan dairies. This system has the merit of doing away with the cumbersome bottling system and allowing bulk sale of milk. But this milk is priced higher at Rs. 2 per litre and the present offtake is about 25,000/30,000 litres per day. Although IDC expects that as the number of vending machines go up from the present 61 to the targetted 200, the sale of such higher fat milk in the market will pick up, it is quite on the cards that at this high price, Delhi Mother Dairy Capacity of 4 lakh litres a day may not be fully utilised.

Apart from the difficulties arising out of small scale of operation, requirement of additional space in crowded metropolitan areas etc., the main difficulty is that the price of alternative milk under DMS is much lower than IDC’s bulk vending price. With such price disparity, these bulk vending machines may not get sufficient customers for full utilisation of their capacity.

It is to be noted that a large scale expansion of bulk vending system may not only come up against limited demand for such higher priced milk but also lead to further concentration of Operation Flood funds in the metropolitan areas. It is to be noted that Tetrapack, satchet, bottling, bulk machine vending and bulk vending in canes represent different methods of milk distribution having different degrees of cost effectiveness. Each method may have some advantages and disadvantages in a particular situation. No one method will be suitable for all metropolitan and other areas. While bulk machine vending may have a good chance of success in Delhi, we may have to consider adoption of some other method, in some other metropolitan areas in the given situation on cost and other considerations.”

As an alternative suggestion, the Ministry of Finance has stated that “it may be in our interest to devise the cheapest possible methods for increased generation of funds in the

metropolitan areas. In this connection, it is worth considering whether retail sale of milk carried in covered bulk containers may not be resorted to. Even though this may be hygienically slightly less desirable, it will enable us to meet the unsatisfied demand of waiting customers at a cheaper cost and without much delay."

3.77. As regards, the merits and demerits of the various distribution systems, the Ministry of Agriculture stated that:—

"It is too early to make an assessment of relative merits and demerits of each system. In so far as bulk vending system is concerned, a Committee is to go into techno-economic study of the system after at least 100 such booths are commissioned, as suggested by NDDB. Large scale use of sachet is likely to throw up the problem of air pollution. The whole matter is under consideration. An early decision is expected to be taken in the matter."

3.78. The Committee note that the second Inter-Agency Review Mission recommended that the distribution of milk in the main centres be increased and the increased processing capacity be maximised by accelerated installation of bulk vending equipment, bulk distribution of milk in canes, maximum use of bottling facilities and use of one-way non-returnable container. They also note that the Corporation decided to introduce bulk vending system in Delhi which is stated to have many advantages namely, reduced transport cost, lower temperature milk with increased keeping quality, no bottle deposit or forward payment and minimised risk of adulteration. The bulk vending units which were originally intended to be imported, have been manufactured indigenously at a cost of Rs. 75,000/- (now about Rs. 1 lakh) excluding the cost of spares and the booths. They are informed that the bottling pattern would cost 25 paise per litre as against 15 paise per litre under bulk vending system. The Committee note that the representative of the Ministry of Finance was rather sceptic about the success of bulk vending system in Indian conditions and he also pointed out during evidence that these machines required some standard of maintenance and handling which, in this country at this stage of development might not be possible. The Committee see no reason why a machine which has been manufactured in India, cannot be maintained by Indian engineers in working condition.

3.79. The Committee are informed that the bulk vending system was first tried in Mexico but had not succeeded there. They learn

that an Experts Committee is to assess the economics and utility of bulk vending booths after atleast 100 booths are commissioned. In view of the reported failure of the system in Mexico and the reservations about its success in India expressed by the Ministry of Finance, the Committee would like the Experts Committee to undertake a techno-economic study of the bulk vending units without delay and submit its report within three months of the presentation of this Report so that the Government/Corporation may be able to take a decision about the continuance or otherwise of the bulk vending system before it is too late. They would like the Experts Committee to find out as to why the system has not succeeded in Mexico and what preventive measures have been or should be taken to ensure that the system does not fail in India.

3.80. The Committee are informed by Ministry of Finance that while bulk vending units were expected to handle \*2000 litres of milk per day, per unit, in Delhi, they have so far been able to sell @500 litres on an average and this is not enough to make the booth economically viable. The main difficulty in this regard, it is stated, by the Ministry of Finance, is that the price of milk under DMS is much lower than IDC's bulk vending price and with such price disparity, these bulk vending machines may not get sufficient customers for full utilisation of capacity. The Committee note that DMS is working at a loss and the loss has been of the order of Rs. 181 lakhs in 1973-74 and Rs. 293 lakhs in 1974-75. They are distressed to note that, on the one hand DMS is itself incurring heavy losses from year to year and on the other hand its pricing policy is having an adverse effect on the economic working of the bulk vending system of IDC. The Committee would like the Ministry to go into this matter critically and see how the economic viability of bulk vending system can be ensured in the circumstances prevailing in Delhi.

3.81. The Committee would also like the Experts Committee/Ministry to consider other such measures to ensure that the working of both the dairies is made complementary to each other in the larger interest of the consumers and the economic viability of both the dairies.

3.82. They are informed that, as recommended by the second Inter-Agency Evaluation Mission, the NDDB is considering the possibility of developing simplified construction of bulk vending units consisting of prefabricated modules of light structure so as to speed up the availability of additional units and relieve pressure on maintenance expertise. The Committee recommend that the NDDB

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\*Please see footnote at page 45.

@Please see footnote at page 48.

should finalise expeditiously the design of pre-fabricated modules of light structure which should not only be easier in construction but also simpler in mechanism and operation so that the new booths, which are yet to be set up, can be constructed speedily and maintained easily.

3.82. The Committee are informed that the Maharashtra Government have introduced in Bombay mobile tankers which go to various localities and deliver milk at different timings. The Committee would like the NDDB/Corporation to consider the feasibility of designing smaller bulk vending units which are not only tamper-proof and are able to retain the milk in good condition for a reasonable period, but can also be mounted on push carts or cycle-drawn carts and can be used like ice-cream trollies for sale of milk at the doorsteps in localities where there may be demand for such a service.

3.84. The Committee note that Tetrapak, Sachet, bottling, bulk vending in machines and bulk vending in canes represent different methods of milk distribution having different degrees of cost effectiveness. Except Tetrapak, all other methods are in vogue in India. They agree with the Ministry of Finance that each method may have some advantages and disadvantages in a particular situation and no one method may be suitable for metropolitan and other areas. The Committee do not agree with the Ministry of Agriculture that it is too early to make an assessment of relative merits and demerits of each system. On the contrary, they feel, that the Government/Corporation should have started considering this question seriously immediately after signing the Agreement with the United Nations/FAO, World Food Programme and the merits and demerits of the various systems should have been assessed on a pilot scale in collaboration with DMS and other existing public sector dairies and a decision taken in the light of the pilot studies well before the commissioning of the Mother Dairies. If the distribution systems for the cities of Delhi and Bombay, where the Mother Dairies have already been commissioned, have been decided without such a comparative assessment, the Committee cannot but express their deep concern at the wrong approach to the problem.

3.85. The Committee recommend that Government/Corporation should immediately go into the economics and operational efficiency of the various distribution systems and determine their merits and demerits with reference to each of the four cities, viz., Bombay, Calcutta, Delhi and Madras, which are to be served by the Mother Dairies. They would like the Government to examine whether, instead of introducing one flat system of distribution in the whole

of a city, it would not be better to introduce different systems in different parts of the city after taking into account the over-all preference of the people of each locality, the lay-out of the locality, operational expenses and efficiency and other relevant factors. They need hardly point out that whatever system is chosen for any locality, it should be operable at the maximum of efficiency with the minimum of overheads so that milk of good quality may become available to the common man at the most competitive prices without subjecting the Mother Dairies to any loss in the process.

(b) "Tetrapak"

3.86. During 1970-71, a letter of Intent was issued to a private firm M/s. Kant & Co. for manufacture of laminated paper for Tetrapak in collaboration with a Swedish Firm, M/s. Tetrapak International. On receipt of this information the Chairman, IDC approached the Government not to permit such a plant to be set up entirely in the private sector since that may go against the interest of dairy industry as both pricing as well as distribution of the packages would be in the hands of a private company. The Ministry of Agriculture decided that the IDC should negotiate with M/s. Kant & Co. and M/s. Tetrapak International so that IDC can have a share participation in this venture. Accordingly, IDC negotiated with the concerned parties and it was agreed that IDC's participation will be to the extent of 35 per cent in this venture. However, subsequently the Ministry stated that it would be prepared to process this proposal further provided not less than 40 per cent shares are given directly to the IDC.

3.87. As suggested by the Ministry of Agriculture, IDC negotiated with M/s. Kant & Co. and M/s. Tetrapak International. A proposal was sent to the Ministry of Agriculture to approve the collaboration.

The Ministry of Agriculture on receipt of this proposal reversed its earlier suggestion and wanted that I.D.C. should have a controlling share i.e. 51 per cent. Therefore, negotiations were started afresh but M/s. Kant & Co. did not agree to this suggestion. The discussions were then held with M/s. Tetrapak International who agreed to the proposal of IDC having 80 per cent of the share.

I.D.C. then approached the Ministry of Industrial Development for a Letter of Intent for setting up a unit for manufacture of Tetrapak paper and for approval of foreign collaboration proposal.

3.88. During discussion in various concerned Ministries, following points were raised:—

- (a) The cost of packing is very high and Tetrapak system will increase the cost of milk. Only affluent sections will be able to bear this cost.
- (b) Tetrapack would increase pollution because it uses some plastic material in the paper bag.
- (c) It is not possible to keep milk good without refrigeration in Tetrapack packing.

3.89. These arguments were countered by the IDC in the following manner:—

- (1) Tetrapak is not going to be the only system for marketing the milk. Milk in Tetrapak will be in the market along with bottled milk, loose milk through bulk-vending machines and cans. Distribution of Tetrapak milk in four cities was proposed only for 3.5 lakh ltrs. per day initially and balance 24 lakh litres/day in bottles and bulk distribution in cans and bulk vending units. Those sections of population which can afford to pay higher price to avail of conveniences the system will obviously prefer this system.
- (2) The pollution in plastic packs of other commodities is much than Tetrapak system. As a matter of fact such system as sachet packing, use much more polythene per litre of milk than Tetrapak. Further more polythene, as packaging material for various commodities is widely used in India. Tetrapak therefore is not going to contribute seriously to pollution problem as the paper degenerates.
- (3) On the suggestion of the Ministry of Agriculture milk in Tetrapak as prepared at Baroda dairy was sent to CFTRI, NDRI and CSIR and on examination milk was found to be good even though milk was processed and packed several weeks ago and kept at room temperature.
- (4) On the suggestion of the Government, test marketing was done in Bombay. The report of this study was very favourable.
- (5) During Indo-Pak War in 1971, large quantities of Tetrapak milk processed and packed at Baroda Dairy was used by



army in border areas. The jawans liked this milk as it did not deteriorate for several weeks.

- (6) There are a number of advantages in Tetrapak system which cannot be obtained in the conventional system of milk supply from bottles, cans and bulk vending.

After several meetings and discussions, the Ministry of Industrial Development issued the Letter of Intent and approved the foreign collaboration proposal in June, 1973.

3.90. The Planning Commission also approved of IDC's proposal and made a provision for Rs. 3 crores for setting up a factory for manufacturing Tetrapak laminated paper and for progressive manufacture of Tetrapak machines.

3.91. The Ministry of Agriculture, however, decided to drop the proposal and conveyed the decision to IDC on 1st November, 1974.

3.92. The Chairman, IDC in his D.O. letter Dt. 1st May, 1975 again requested the Ministry of Agriculture stating that:—

“The proposal to establish a long-life milk packaging system via the Tetrapak technology, which has been kept in abeyance all those years—but which in my view should still be implemented. Armed with this facility, we would be able to feed rurally-produced milk directly into the cities and have it marked as a grocery item. The cities would then not be so exclusively dependent on the urban dairies for milk supplies—and the rural milk producers would have an additional, reliable channel for their milk. In the absence of this tool, it will not be all that easy to capture the city milk markets for the organised sector.

I therefore, recommend that the proposal to purchase twenty-two Tetrapak machines, to set up a laminating plant and to make the country self-sufficient with respect to both the machines and also the laminate should be reconsidered.”

3.93. In this connection, the Ministry in a note after evidence stated that:—

“The main objective of the project ‘Operation Flood’ was to enable the city milk plants to have a commanding share in the city distribution system and for that purpose to increase

the throughout of the public sector dairies. Different media of distribution of milk was considered including the conventional system of selling milk in bottles, the bulk vending booths, the tetrapak (single service disposable containers and the sachets. The IDC had felt that use of single service disposable containers would help to increase the throughout of the public sector substantially. The proposal was considered by the Government in all aspects and the Government felt that the proposal was worth consideration. In the meantime the IDC obtained a letter of intent and industrial licence from the Ministry of Industrial Development.

3.94. The following points were brought up for consideration of the Government in regard to the above proposal:—

1. Introduction of these cartons will involve a foreign exchange of Rs. 12.0 crores and outflow of capital;
2. These cartons have to be destroyed only by burning which may cause health hazards;
3. Some countries in Europe and U.S.A. had introduced these cartons and, as a result of recent research, are now reverting to the conventional bottling system;
4. The introduction of these cartons would increase the price of milk by nearly 20 paise per litre; and
5. The introduction of these cartons would make the country more and more dependent on milk powder and butter oil and thereby the object of self-reliance in the milk production will be jeopardised.

The foreign outflow was of the order of Rs. 116.64 lakhs for a period of 10 years or approximately Rs. 12.0 lakhs per year. There were disparity of views in regard to the extent to which paper and polythene used in the Tetrapak cartons could be destroyed without causing health hazards. The sale of milk in Tetrapak containers was expected to increase the price to about 14 paise per litre to the city consumer. The medium of selling milk through Tetrapak was one of the alternative means and was not intended to replace the conventional system of milk sold in bottles and was, therefore, not intended to discourage the local bottling manufacturing industry. There were also disparity of views as to whether milk in Tetrapak

containers could stand the heat, particularly in the northern parts of the country. After taking into consideration all relevant factors, the proposal was dropped by the Government.

3.95. Asked about the expenditure incurred on this proposal, the Ministry stated that no expenditure was incurred by the Ministry of Agriculture. IDC had informed that upto 31st March, 1975, an expenditure of Rs. 5.13 lakhs was incurred by IDC/NDDDB on Tetrapak Marketing Programme including Pilot study.

3.96. The Committee note that the IDC had approached the Ministry of Industrial Development for a Letter of Intent for setting up a unit for manufacture of Tetrapak paper and for approval of foreign collaboration proposal with a view to market milk in Tetrapak also alongwith other systems. After several meetings and discussions, the Ministry of Industrial Development issued the Letter of Intent and approved the foreign collaboration proposal in June, 1973. The Planning Commission is also reported to have approved IDC's proposal and made a provision for Rs. 3 crores for setting up a factory for manufacturing Tetrapak paper and for progressive manufacture of Tetrapak machines. The Committee note that the Ministry of Agriculture have decided to drop the proposal in view of the foreign exchange element in the project (Rs. 12 crores), out-flow of capital, health hazards involved in burning the cartons for disposal, increase in the price of milk by about 14 paise per litre etc. etc.

The Committee are informed that Tetrapak milk because of its long life can be stored and transported without refrigeration. It is stated that it is tamper-proof and because of its long keeping quality without the need of any refrigeration, the consumers can pick up a few days requirements at a time. The long life milk in Tetrapak can reach distant and secluded areas where milk is not locally available and can also help the formation and operation of national milk grid. During Indo-Pak war in 1971, it is stated, large quantities of Tetrapak milk processed and packed at Baroda Dairy was used by army in border areas and it did not deteriorate for several weeks. It is claimed that it is possible to distribute in one shift nearly 6000 to 8000 litres of milk in Tetrapak as compared to 2000 litres in bottles and thus it will be possible to effect considerable reduction in recurring costs on transport. It is also stated that manufacture of Tetrapak paper does not involve any imported raw materials. As regards the danger of pollution, the Corporation states that pollu-

tion in plastic packets of other commodities is much more than Tetrapak system and Tetrapak is not going to contribute seriously to pollution problems as the paper degenerates. The Corporation feels that armed with this facility it would be able to feed rurally produced milk directly into the cities and the cities would not have to be exclusively depend on the urban dairies for milk supplies. In view of this, the fear expressed by the Ministry that introduction of Tetrapak would make the country more and more dependent on milk powder and butter oil is not quite clear.

3.97. The Committee note that the Corporation has approached the Ministry again in 1975 to reconsider its proposal to purchase Tetrapak machines, set up laminating plant and make country self-sufficient in this field. The Committee feel that the IDC's proposal to market Tetrapak milk, alongwith other systems of marketing milk, which, it is stated, will increase the shelf life of milk and open city markets all over the country to the rural produced milk, deserves a second look. They suggest that the proposal may be studied again in depth and its economics, utility and consumer acceptability evaluated with a view to arriving at an early decision in the long range and larger interest of producers and consumers of milk.

#### D. Milk Producers Organisation

##### Action Item No. 9

3.98. Action Item No. 9 of the Plan of Operations under "Operation Flood" envisages for building up Milk Producers' Organisations for milk procurement, processing and marketing and for marketing of inputs for Milk Production enhancement. All activities for milk production enhancement are ultimately to be handled by the farmers' organisations on a fully functional cooperative basis. These farmers' organisations will not only procure the milk and process it but will also channelise the inputs for milk production enhancement and employ their own staff for the purpose.

3.99. The Government of India's approval for the IDC to handle directly Action Item No. 9—"Organisation of rural procurement of milk"—though delayed by 3 years, had helped the IDC to deploy specialised teams drawn from NDDB to help to build farmers' organisations in the milk sheds.

3.100. Under Plan of Operation, a total allocation of Rs. 180 lakhs was made for implementation of Action Item No. 9 (Building of Milk Producer's Organisations). Against this allocation of funds target the actual expenditure incurred for implementation of this

Action Item since inception of Project until September, 1975 is as under:—

	(Rs. in lakhs)
	Actual Expenditure
1970-71 . . . . .	—
1971-72 . . . . .	2.00
1972-73 . . . . .	6.25
1973-74 . . . . .	11.07
1974-75 . . . . .	29.01
1975-76 . . . . .	25.00
TOTAL	73.33

3.101. In order to take up the various activities under Action Item 9 a sum of Rs. 18 lakh per State has been earmarked by the IDC for direct expenditure under this Action Item.

The broad heads under which the amount is spent are:—

Item	Amount (Rs. in lakhs)
1. NDDDB Spearhead Team . . . . .	3.50
2. Farmers' Induction Programme . . . . .	0.20
3. Purchase of two Jeeps . . . . .	0.80
4. Managerial subsidy for primary milk producers' Co-operative societies @Rs. 3,000 per society . . . . .	6.00
5. Purchase of milk testing equipment for 200 societies Rs. 1200 per society . . . . .	2.40
6. Managerial subsidy to District Milk Producers' Union . . . . .	3.10
7. Transport subsidy to transport milk from the village societies . . . . .	1.00
8. Miscellaneous expenditure . . . . .	1.00
	18.00

3.102. It has been stated by the Corporation that the initiation of this programme of work was delayed as Government of India took

time for issue of sanction for treating this item of work as direct expenditure of IDC. This Action Item was to be under the direct purview of the IDC because it embodies the concept which is central to ensuring achievement of projects social and economic objectives. Yet it was sanctioned only in the third year of the Project and this greatly delayed the projects impact in the milksheds.

3.103. In this connection the Corporation in a written reply added that "Under Action Item No. 9, the amount provided in the project is inadequate and there will be need for additional funds and for continuing the organisation of more milk producers' Cooperatives on 'Anand' pattern."

3.104. Explaining the reasons for delay, the Ministry in a reply after evidence stated that—

"It was provided in the Plan of Operations that the funds generated by sale of WFP donated commodities would be spent on various Action Items including Action item No. 9 (organisation of rural milk) under which milk producers' organisations were to be set up in the rural milk sheds of the four metropolitan city plants. In the first two years of the project, the Plan of Operations provided for expansion of the existing city milk plants and the setting up a new mother dairies, so that it may provide an outlet for rurally produced milk in the milk sheds which was to be organised under Action item No. 9. Implementation of this item was, therefore, to follow implementation of Action items No. 1, 2, 4 and 5.

In April, 1972, the IDC came up with a proposal that expenditure on this item should be allowed as direct expenditure (100 per cent grant) as that would cater for speedier implementation of this Action Item. By then the total expenditure was only Rs. 2.0 lakhs against a total allocation of Rs. 180 lakhs. Since the financing pattern in the original project was approved by the Cabinet, it was necessary to obtain the Cabinet approval to the modified pattern of financial assistance. The proposal, after it was cleared by the Ministry of Finance and the Planning Commission, was submitted to the Cabinet for approval and the Government sanction was issued on 18-5-1973. Since then the tempo of expenditure had improved and an expenditure of Rs. 6.25 lakhs in 1972-73, Rs. 11.07 lakh in 1973-74 and Rs. 29.01 lakhs was incurred in 1974-75. Further expenditure of Rs. 25.0 lakhs had been incurred dur-

ing the current year (1975-76) (till September, 1975) making a total of Rs. 73.0 lakhs against a total allocation of Rs. 180 lakhs. Government would attach great importance to the setting up of milk producers' organisations in the rural areas as it felt that sound foundation for milk production could really be laid in the rural milk sheds. Also, the proposal of the IDC for increase in allocation from Rs. 180 lakhs to Rs. 260 lakhs was under consideration.

3.105. Statewise break-up of targets for setting up Milk Producers' Organisations, the number of organisations set up and the number of units as on October, 1975 are as under:—

State	Milkshed	Target		Achievement	
		No. of Union	No. of Societies	No. of Unit	No. of Societies
Punjab . . .	Luchiana Bhatinda	I	200	I	62
		I	200	Not started	
Haryana ! . . .	Rohtak Gurgaon	I	200	I	168
		I	200	I	120
Rajasthan . . .	Bikaner Alwar	I	200	I	49
		I	200	I	49
Uttar Pradesh . . .	Meerut Varanasi	I	200	I	79
		I	200	I	10
West Bengal . . .	Darjeeling Beldanga	I	200	I	11
		I	200	I	35
Tamil Nadu . . .	Erode	I	200	I	68
Bihar . . . . .	Patna	I	200	Not started	
Andhra Pradesh	Guntur	I	200	Not started	
Maharashtra . . .	Jalgaon	I	200	I	101
Gujarat . . . . .	Kaira	I		I	827
	Mehsana	I		I	531
	Baroda	I		I	352
	Banashantha	I	*	I	325
	Sabarkanta	I		I	310
		<u>19</u>	<u>2,800</u>	<u>16</u>	<u>3,097</u>

\*Unions already functional when OPFLOOD programme started.

3.106. In this connection the Corporation in a written reply stated that—

“Before the organisation of primary societies and their Union is started by the NDDB Spearhead Team in each of the milksheds, it is necessary that the State Government/ implementing agency agree to a set of pre-requisites which are essential for the sound and proper functioning of the co-operatives. These pre-requisites, for example, include the State's acceptance of the model bye-laws for the primary co-operative societies and the Union recommended by the IDC, appointment of the P&I Wing which forms the counter-part team, agreement to permit the Milk Producers' Union to own and operate the Feeder-Balancing Dairy Plant and the Cattle Feed Plant along with all the other technical inputs machinery.

In most cases it took considerable time in getting the States to agree to these pre-requisites and therefore it was not possible for the Dairy Board to send the Teams to the milk-sheds and take up the work as such efforts would have been infructuous. For example, Andhra Pradesh has so far not given any response to the repeated correspondence on this subject and therefore it has not been possible to depute a team to Andhra Pradesh. Bihar has agreed to the pre-requisites only a few months ago and now the team has been sent to Patna on 1-10-1975. Punjab is another example where this assurance and acceptance of the pre-requisites were not available till August, 1975. The team was sent to Bhatinda in September, 1975.

There are instances of States and milksheds where the Team functioned for a long time and where primary co-operative societies and the Union has already been registered, such as Erode in Tamil Nadu, but where effective Board of Directors were not appointed.

There are instances of States like Rajasthan and Haryana where the teams were withdrawn after Unions were registered as the Milk Unions were not given the functions of channelising inputs for milk production enhancement. Delays in setting up dairies to market effectively the milk collected is also a severe constraint to establish a viable Cooperative Union.



In almost all milk-sheds where Spearhead Teams have organised primary societies, these institutions had right from the beginning been operating viably. In fact there had been no problem regarding viability of the primary societies in places where they have strictly adhered to the Anand pattern. The viability of the co-operative Unions can be realised only after the dairy plant in the milkshed starts operations and is owned by the Union."

3.107. In the following States the Cattle Feed Plants have not yet been placed under the direct control of the Co-operative Unions:—

(i) *Andhra Pradesh*: The State Government, after a recent high level meeting, agreed to create a Co-operative Milk Union in Guntur Distt. The question of transferring the dairy and cattle feed plants to the Milk Union is yet to be considered by the State Government.

(ii) *Bihar*: The State Government has agreed in principle to hand-over the feeder-balancing dairy at Patna to the Co-operative Union. The Union is being formed.

(iii) *Haryana*: The Haryana Government agreed in principle to hand-over the dairy at Rohtak to the Cooperative Union. The actual transfer has not taken place. The matter is under correspondence with the Haryana Government. A cattle feed plant is being built in Rohtak under the Haryana Agro-Industrial Federation and hence no cattle feed plant was set up under Operation Flood.

(iv) *Punjab*: The Punjab Government agreed in principle to hand-over the cattle feed plant and the feeder balancing dairy to the proposed Bhatinda Union. As soon as the Co-operative Union is registered, this will be done. In Ludhiana district, the Punjab Dairy Development Corporation will manage both the cattle feed plant as well as the dairy plant but it will consider handling over those to the Co-operative Union when the Union is strong enough to handle them.

(v) *Rajasthan*: The Rajasthan Government agreed in principle to hand-over the dairy in Bikaner to the Co-operative Union. However, the dairy is not ready. No cattle feed plant has yet been erected in Bikaner.

(vi) The *Tamil Nadu* Government agreed in principle to hand over the Coimbatore Dairy to Erode Union. The construction of the feeder-balancing dairy at Salem has not been finalised yet and the question of handing it over has not been considered. The question of erecting a cattle feed plant at Erode is under correspondence with the Tamil Nadu Government and the Tamil Nadu Dairy Development Corporation.

3.18. The reasons for hesitation on the part of the above States are not clearly known.

Asked about the effect of the slow progress of this Action Item on the progress of "Operation Flood", the Corporation stated in written reply that—

"As building up of farmers' organisation in the milk-sheds is the fundamental and basic requirement for a viable milk project in any milkshed, unless this rural infra-structure is organised, collection and marketing of the rurally produced milk and marketing of inputs back to the villages would be an extremely difficult and expensive affair as has been the case of the State owned and departmentally operated ventures. Normally the construction of a feeder-balancing plant and the organisation of milk producers co-operatives in any milkshed should start simultaneously so that by the time the plant is ready for commissioning, the organisation would have been able to procure reasonable volumes of milk which will permit the dairy to commence operations at break even point. The basic technical inputs such as marketing of feed, veterinary aid, and regular breeding facilities, if made available through the village primary societies, right from the beginning of operations in the milk procurement, would be the quickest way of increasing production of the existing milch animal population.

Delay in establishing the milk producers' organisations can retard the growth of the entire dairy development project for that particular milkshed. However, it is a much better alternative to proceed slowly, suffer the delays, and build up a strong and healthy farmers' organisation which owns the dairy plant, the cattle feed plant and the input marketing machinery, rather than spend money and build up infra-structure which ultimately becomes an economic liability on the State. There are enough evidences to indicate that departmental institutions can seldom achieve

the effectiveness and viability that the farmers' own organisations can achieve in the field of dairy development."

3.109. Asked as to whether the Corporation was satisfied with the present rate of progress, the Corporation in a reply after evidence stated that—

"The IDC is not satisfied with the present rate of progress. However, the procedure for creating proper farmers' organisations is bound to be slow because for most of the States, this is a new approach and therefore state authorities at various levels had to be convinced before this procedure was agreed upon and before necessary changes in the co-operative bye-laws could be made by the states to bring them in line with the co-operative bye-laws which were key to the success of Anand Pattern.... There was resistance to change and at each stage such resistance had to be overcome through persuasion."

3.110. Asked as whether the assistance was sought from the Central Government in the matter, the Corporation stated that—

"The difficulties in the implementation of the projects under Operation Flood are invariably placed before the Board of Directors of the IDC on which there are several representatives of the Government. The annual report of the IDC mentions in detail all the problems faced by the Corporation in the implementation of the projects and these are submitted to the Government annually. However, since animal husbandry and dairying are State subjects, State Governments cannot be compelled to take any particular line of action. In the Conference of the State Secretaries of Agriculture, Directors of Animal Husbandry and Milk Commissioners held in New Delhi in May 1974 it was decided as a policy of the Government that farmers' organisations should be the exclusive agency for collecting of rurally produced milk and that the rural dairy plant and other infrastructure must be owned and operated by them.... Nevertheless, resistance in accepting this policy by the State Departments constituted the major constraint in the implementation of the Operation Flood Project, but such resistance has waned and the programme is being gradually accepted with enthusiasm."

3.111. The Committee note that Action Item No. 9 provides for the building up of milk producers' organisation for milk procurement processing and marketing and for marketing of inputs for milk production enhancement. This Item is under the direct investment of IDC. Before the work of organisation of primary co-operative societies and their union is started by the NDDB Spearhead Team in each of the milk sheds, it is necessary that the State authority agreed to a set of pre-requisites which are essential for the sound and proper functioning of the co-operatives. These pre-requisites, for example, include the State acceptance of the model bye-laws for the primary co-operative societies and the union, agreement to permit the Milk Producers' Union to own and operate the Feeder-Balancing Dairy Plant and the Cattle-Feed Plant along with all the other technical inputs machinery. They are informed that in most cases it took considerable time in getting the States to agree to these pre-requisites and therefore it was not possible for the NDDB to send the teams to the milk sheds as such efforts would have been infructuous. It is stated that Andhra Pradesh had not given any response till recently; Bihar and Punjab, had agreed to the pre-requisites only towards the end of 1975. Certain States (Bihar, Haryana, Punjab) have agreed in principle to hand over the Feeder-Balancing Dairies/Cattle Feed Plants to the co-operative unions but the actual handing over has not yet been done.

3.112. The Committee note that it was in May 1974, i.e. four years after the commencement of the "Operation Flood" when it was decided as a policy of the Government in the conference of State Secretaries of Agriculture, Directors of Animal Husbandry and Milk Commissioners that farmers' co-operative organisations should be the exclusive agency for collection, of rurally produced milk and that the rural dairy plant and other infra-structure must be owned and operated by them. The Committee are told that even after the policy decision there was resistance in accepting this policy by State Departments though such resistance, it is stated, has now waned and "the programme is being gradually accepted with enthusiasm". But the Committee find this is not borne out by facts. They are informed that in the States of Bihar and Andhra Pradesh the work of organising primary co-operative societies and the Union had not started till October last year (1975). In the States of Punjab, Rajasthan, Uttar Pradesh, West Bengal and Tamil Nadu, organisation of co-operative societies and the union had made very little progress. In Maharashtra, 101 Societies had been set up as against a target of 200. The Committee are, however, glad to note that Haryana is well on the way to reach the target laid down in this regard.

3.113. The Committee are informed by the Corporation that the proposal for treating the Action Item regarding setting up of milk producers organisations in the States as direct expenditure of IDC, was sanctioned by Government only in the 3rd year of the project and this greatly delayed the project's impact on the milk-sheds. In this connection the Ministry have stated that in the first two years of the project, the plan of operations provided expansion of existing city milk plants and setting up of new Mother Dairies so that it may provide an outlet for rurally produced milk which was to be organised under Action Item No. 9 and implementation of this Item was, therefore, to follow implementation of Action items Nos. 1, 2, 4 & 5. They added that the proposal that expenditure on Action Item No. 9 should be allowed as direct expenditure (100% grant) to ensure speedier implementation of this programme was received from the Corporation in April 1972 and approved in May, 1973.

From all this, the Committee are constrained to conclude that the Government/Corporation did not attach, in the beginning, due importance and urgency to the establishment of milk producers' co-operative organisations in the milk sheds on 'Anand' pattern which are stated to be of fundamental and vital importance for achievement of the project's social and economic objectives, as they see no reason why the Corporation took two years to decide about the financing pattern for this programme and the Government over one year to accord approval to it. They also regret to note that Government took nearly four years to arrive at a policy decision urging the States to set up farmers' co-operatives and transfer the ownership of feeder-balancing dairies etc., to them.

3.114. The Committee feel that as the Corporation alone could not be expected to bring round the participating States to agree to the 'Anand' pattern of cooperative societies which was an entirely new concept for them, Government should have taken active interest in this programme right from the beginning and offered their good offices and used their influence to overcome resistance in the States to the new style of co-operatives in order to ensure accelerated progress of this programme of vital importance. The Committee would like the delays in regard to the implementation of this programme at the level of the Corporation and the Ministry to be critically analysed, and lessons learnt.

3.115. The Committee recommend that the Government/Corporation may immediately take stock of the situation in each participating State, identify the States which have either not fully

accepted the pre-requisites for the working of the Co-operatives or which having accepted the pre-requisites in principle have not implemented them in actual practice, and take up the matter with such States at the highest level with a view to dispelling their misgivings, if any, in this regard and persuading them to fall in line with other States so as to ensure speedier implementation of this Action Item (No. 9).

3.116. The Committee also recommend that the Corporation/Government should, in consultation with the State authorities, critically analyse the reasons for slow rate of progress in the setting up of the farmers co-operatives find positive solutions to the difficulties standing in the way of setting up such societies; draw out time-bound programme for each State and depute Spearhead Teams without delay to the States concerned to set up the Co-operative societies according to schedule. The Committee would like that all possible steps should be taken to ensure that there is no further slippage in the setting up of the farmers' Co-operative societies.

3.117. The Committee are informed that normally the construction of a feeder-balancing plant and the organisation of milk producers' co-operatives in any milk shed should start simultaneously so that by the time the plant is ready for commissioning, the organisation would have been able to procure reasonable volume of milk which will permit the dairy to commence operations at break-even point. They are further informed that in all milk sheds where Spearhead Teams have organised primary societies on 'Anand' pattern, these institutions had right from the beginning been operating viably. It is stated that the viability of the co-operative unions can, however, be realised only after the dairy plant in the milk shed starts operations and is owned by the union. The Committee hope that the Corporation has taken all possible steps to synchronise the development of milk producers co-operatives and the unions with the commissioning of the feeder-balancing dairies in all the milk sheds so as to ensure that the feeder-balancing dairies can become viable.

3.118. The Committee cannot over emphasize the importance of replicating 'Anand' pattern of co-operatives in the participating States as only such co-operatives are truly representatives of the farmers' interests and can bring about whole-hearted involvement of the producers from grass-root level upwards which is absolutely essential for the success of the project. They would like that Corporation should ensure participative management of the co-operatives by farmers right from the beginning, and spare no efforts to

help the co-operatives to become self-reliant within a definite period of time and to generate funds for further developmental programmes in the interest of the farmers. They would stress that as soon as the co-operatives become viable and form unions, the responsibility for the management of the feeder-balancing dairies, cattle-feed plants etc., should devolve on the co-operative unions and, where any State shows reluctance in following the "Anand" pattern in this regard, the Central Government should use their good offices and persuade the State concerned to implement the "Anand" pattern in letter and spirit in the interest of the success of the scheme.

3.119. The Committee would like the feeder-balancing dairies to procure milk directly from the farmers through their co-operatives and not resort to procurement of milk through middlemen/contractors as, if once the procurement is started through contractors even to fill a gap, the system is likely to get perpetuated as has been seen in the case of D.M.S.

3.120. They would like that the Corporation should keep a close and regular watch on the working of the primary co-operatives and the unions and if ever any of the societies or unions shows any signs of "sickness", the Corporation should take prompt and positive measures in consultation with the State authorities, if necessary, to remedy the situation so as to save the farmer|members of the co-operatives from suffering any loss.

3.121. The Committee are informed that the annual report of the IDC mentions in detail all the problems faced by the Corporation in the implementation of the projects and these are submitted to the Government annually. They feel that this is too routine an approach in dealing with the problems that are bound to crop up in implementing the "Operation Flood" and hold up its progress. The Committee are of the opinion that the Corporation should not wait till the end of the year to bring its problems and difficulties to the notice of the Government. It should keep the Government concurrently informed of the actual progress of each project and also the constraints faced by it in achieving satisfactory results and if it is not possible for it to overcome the constraints promptly on its own, the Corporation should seek the help and guidance of the Government without delay in the interest of speedier implementation of the project.

3.122. The Committee are informed by the Corporation that the amount provided in the project for Action No. 9—organisation of rural procurement of milk—is inadequate and there will be need

for additional funds and for continuing the organisation of more milk producers' co-operatives on 'Anand' pattern. The IDC's proposal for increase in allocation from Rs. 180 lakhs to Rs. 260 lakhs for this programme is stated to be under the consideration of the Ministry. As the setting up of the farmers' co-operatives is central to the whole scheme of organisation of rural milk, the Committee would like the Government to examine critically the IDC's proposal for increased funds for this work expeditiously and communicate their decision to the Corporation without avoidable delay. They feel that the progress of this programme should not be allowed to suffer or lose momentum for lack of funds. They would, however, like the Corporation|Government to make sure that the funds are spent on the programme judiciously to produce positive results.

3.123. The Committee have gathered an impression that while the IDC has been able to make appreciable progress in the matter of setting up of mother dairies under the "Operation Flood", there has not been corresponding progress in the matter of development of basic infra-structure for raising the milk output in the milk sheds in the country side. The setting up of Farmers' Co-operative Unions is lagging behind as also the programme for upgrading the milch cattle and making available the requisite inputs like balanced feeds at competitive rates to the farmers and the setting up of feeder plant dairies etc. to provide an assured nodal point for collection and treatment of milk. The Committee feel that the Corporation with its expertise and experience of Mahsana and Kaira districts, should concentrate its energies and resources to help develop milk production, particularly by small and marginal farmers, so as to achieve the twin objective of raising the milk output to meet the growing requirements and betterment of the economic lot of the common milk producer in the country side. It is only if the problem is tackled at the grass root level and the marginal and small milk producers in the country side feel involved in the programme and see the economic results flowing back to them that the "Operation Flood" would become a self-sustaining, self-developing and onward going movement.

#### **E. Subsidiary Corporation for Manufacture of Dairy Machinery and Equipment**

3.124. It has been stated by the IDC that "the present total production of dairy equipment has been estimated at Rs. 10 crores annually while the present requirement is estimated at Rs. 14 crores annually. The demand is expected to rise to Rs. 30 crores by 1984.



Expenditure incurred on the imports of various items of dairy equipment is indicated below:—

	(Rs. in lakhs)
1971-72	52.00
1972-73	47.00
1973-74	256.00
1974-75	113.40
TOTAL	468.40

3.125. It has been stated that there is no dairy equipment manufacturing unit in public sector. The indigenous capacity of the private sector is about Rs. 10 crores. The private sector plants are unable to meet the total demand of the organised sector within time schedule. It has been stated by the Corporation that more than 80 per cent of the dairy equipment is used in the public sector and cooperative sector dairies but so far none of the public sector companies has come forward to manufacture the required equipment. This is probably because of the special nature of the equipment which does not readily fit in with the manufacturing programmes of such public sector plants.

3.126. Asked whether HMT cannot undertake manufacture of such machinery, the Chairman, IDC stated during evidence that "there are certain items which HMT could do... wherever it is possible we will use it... HMT can perhaps help with producing plates required for pasteurised plants etc.."

3.127. In view of this, the Corporation has proposed that it may establish a subsidiary to manufacture dairy machinery and allied equipment in furtherance of the overall development and self-reliance of the dairy industry in the country. This venture will also include fabrication of plastic straws and sheaths for semen packaging and artificial insemination cryogenic containers for storage of liquid nitrogen and frozen semen etc. The proposal in this regard was first mooted in Chairman NDDB's letter No. VK/NDDB/SPL dated the 7th June, 1973 addressed to the Ministry of Agriculture. The Ministry of Agriculture was further requested in August, 1974 and 17th April, 1975 to expedite their decision. It was pointed out that a sum of Rs. 1.5 crores would be required during 1975-76 and

balance Rs. 1.5 crores during 1976-77. As required by the Ministry (on 23rd August, 1975), a project feasibility report was also prepared and furnished to the Ministry in September, 1975. The draft Memorandum and Articles of Association had also been submitted to the Ministry on 16th December, 1975. No decision has been communicated to IDC so far. In the meantime the Corporation approached the Ministry of Industry and Development in April, 1975 for a letter of intent which was received by them in July, 1975.

3.128. When asked whether establishment of a subsidiary Corporation for the manufacture of dairy machinery was covered by the objectives of the Corporation the Corporation in a written reply stated that, "it was found that it was permissible under the Memorandum to promote a subsidiary company. However, if the IDC takes up directly any manufacturing activity, amendment of the Memorandum will be necessary."

3.129. Asked about the latest position in regard to the proposal, the Ministry in a reply after evidence stated that:

"IDC had spent a proposal for setting up of a subsidiary company for the manufacture of Dairy machinery and equipment in the public sector together with a feasibility report indicating that a unit in public sector is not only necessary but would also be economically viable. The expansion of the present installed capacity, it is felt by IDC would not meet the present and projected requirements of the industry."

3.130. On being asked whether the proposal involved foreign collaboration, the Ministry stated that the proposal involved collaboration with GDR firm for which negotiations had been carried out by IDC involving foreign exchange of the order of Rs. 20 lakhs and royalty @ 3 per cent of the ex-works price. The collaboration related to sophisticated items for which technical know-how was not available (i.e. plate heat exchangers, separators, continuous butter making machine, high capacity milk centrifugal pumps and self-priming pumps.)

3.131. It was further stated that the IDC had applied for foreign collaboration in July, 1975 and the letter of intent for foreign collaboration was received on 31.12.75. The draft agreement for foreign collaboration as required under the terms and conditions of approval, was submitted to the Ministry of Agriculture on 23rd December, 1975.

3.132. Asked whether the Government analysed the economics of setting up new capacity in public sector *vis-a-vis* expansion of the existing capacity in public or private sector. It was stated that since the letter of intent for setting up of the Manufacturing Unit and the letter of intent for foreign collaboration were granted by Government, it was reasonable to presume that these factors had been taken into account. It was also stated that the vast majority of the Dairy Plants in the country were in the Public and Co-operative Sectors and it was the experience of the Indian Dairy Corporation that the prices charged and the quality of the service rendered by the Dairy Machinery Factories could be considerably improved if the public sector were to be deployed.

3.133. The Committee note that as against an estimated annual demand of Rs. 14 crores worth of dairy equipment in the country, the present production is of the order of Rs. 10 crores annually and this capacity is only available in the private sector. During the period 1971-72 to 1974-75, dairy equipment to the extent of Rs. 4.68 crores has been imported from other countries. The Committee are informed that though 80 per cent of the equipment is used in public sector and the cooperative sector, there is no dairy-equipment manufacturing unit in the public sector. The Committee are also informed that the IDC sent a proposal to the Ministry for setting up a subsidiary corporation for the manufacture of dairy equipment as far back as June, 1973 and subsequently a feasibility report for the project was also sent to the Ministry in September, 1975. It has been stated that the matter is still under consideration of the Government. The Committee find that in the mean-time the Corporation approached the Ministry of Industrial Development in April, 1975 for a letter of intent (which was received by them in July, 1975) and also applied for foreign collaboration with GDR in July, 1975 for which also a letter of intent had been received by them in December, 1975. Although it has been admitted that the matter is still under consideration of Government and taking up manufacture of dairy machinery directly by the Corporation would require an amendment to the Memorandum and Articles of Association, the Committee are surprised that the Corporation was allowed to go ahead with taking up manufacturing activities of dairy plant and equipment by seeking foreign collaboration. It has also been admitted during evidence that there are certain items which can be undertaken for manufacture by HMT. The Committee are not sure whether possibilities of manufacturing these equipments by utilising the available capacity in the existing Public Sector have been explored. The Committee would like

**Government to keep the present and future demands of dairy plant and equipment in view and examine whether there is any jurisdiction for setting up a subsidiary Corporation for the manufacture of dairy equipment and whether such demand could not be met by better utilisation of the capacity already available in the country and with public sector engineering units like HMT, HEC, MAMC, BHEL etc.**

**3.134. The Committee need hardly stress that which ever unit is entrusted with the responsibility of manufacturing dairy equipment Government/Corporation should ensure that there is a close coordination between the manufacturing unit and the Corporation.**

#### **F. Subsidiary Unit for manufacture of immunological and biological veterinary products**

3.135. It has been stated that in order to increase milk production in selected milk-sheds, it is necessary not only to develop improved animals by cross breeding and upgrading through artificial insemination but also protect the milch animals so developed from disease. The Corporation, therefore, sent in May, 1974 proposal for setting up a unit as a subsidiary of IDC for manufacture of foot-and-mouth disease vaccine and of antigens such as Tuberculin, Johnin and Brucella. The proposed unit is expected to produce about 20 million doses of monovalent vaccine with four-fold expansion capability. This unit is planned for establishment with financial and technical assistance from the Ministry of Overseas Development of the Government of the United Kingdom. A provision of Rs. 5 crores has been made in the central sector within the framework of the Fifth Plan.

3.136. The Corporation in a reply after evidence stated that the above proposal was under consideration of the Government of India which had invited experts under British Overseas Developmental Agency to assist in the preparation of the feasibility report. It is stated that Foreign Collaboration would be needed for setting up the proposed manufacturing units.

3.137. As regards financial implications of setting up of the subsidiary organisation the Corporation stated that the exact financial implication would be known after the feasibility report was prepared.

3.138. In this connection, the Ministry in a reply after evidence stated that:—

“The proposals for setting up of a unit in the public sector for manufacture of biological and immunological products (particularly FMD vaccine) is linked with U.K. assistance in this field. A feasibility study by a survey team of the O.D.A. is a pre-requisite to assistance from U.K. The O.D.A. team is visiting again in January, 1977 to consider and prepare feasibility report on the proposal. The proposal of the IDC for setting up of a subsidiary company for this propose will be examined after the feasibility report prepared by the O.D.A. is received and extent of assistance from U.K. in this field is known.”

3.139. As regards indigenous capacity for production of such veterinary products, the Ministry stated that:—

“The installed capacity for production of F.M.D. vaccine is 5.75 million doses per annum which is capable of expansion upto 22.0 million doses by 1980. The present production is of the order of 5.50 lakh doses only against an estimated requirement in 1976-77 of the order of 2.5 million doses. No import of vaccine is presently allowed.”

3.140. According to the Report of the U.K.-ODM Expert who visited India during March, 1973 to review and advise on the requirement of Immunological and Biological products in “Operation Flood” area including the establishment of suitable plants for the manufacture of these biologics, the requirement by 1982-83 would be—

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FMD vaccine	.	.	.	16 million doses
Tuberculin	.	.	.	810 lts.
Brucella antigen	.	.	.	2025 lts.

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3.141. The Committee note that the Corporation propose to set up a subsidiary organisation for manufacture of foot-and-mouth disease vaccine and of antigens such as Tuberculin, Johnin and Brucella, with financial and technical assistance from UK Government. It has been stated that the proposal will be examined by the Government after the UK team of experts prepares and sub-

mits the feasibility report and the extent of assistance from UK in the field is known. A provision for Rs. 5 crores has been made in the Central sector within the framework of the Fifth Five Year Plan. In so far as foot-and-mouth vaccine is concerned, the Committee find that there is an installed capacity in the country for production of 5.75 million doses per annum of Foot-and-Mouth vaccine which is capable of expansion upto 22 million doses by 1980. As against this, present production is only of the order of 5.50 lakhs doses and according to UK—ODM expert, the demand even by 1982-83 would only be 16 million doses and no import of vaccine is allowed at present.

3.142. The Committee would like Government to examine whether the Foot and Mouth vaccine already being produced in the country is of the prescribed standard and whether its production in the existing units cannot be augmented to meet the present and the future demand, before going in for foreign collaboration for installation of additional capacity.

3.143. The Committee would also like Government to critically examine the feasibility and the economic viability of the proposal of setting up a separate plant for manufacture of immunological and biological veterinary products in consultation with expert bodies like the ICAR and explore the possibility of manufacture of the plants by utilising the indigenous capacity available in the country in Public Sector.

## 'OPERATION FLOOD' PROJECT

### G. Other Schemes

#### (I) *Storage and long distance milk transport facilities* (Action Item No. 3)

#### *Storage*

3.144. It is stated that out of the total allocation of Rs. 3.17 crores under the plan of operation for implementation of this Action Item, a sum of Rs. 75 lakhs is set aside for building storage facilities for SMP and butter oil|frozen cream|butter at Delhi, Bombay, Calcutta and Madras. These facilities are being built close to the sites of the four new Mother Dairies. The construction of godowns at Delhi and Madras is nearing completion and that in Calcutta is in progress. The construction of the godown at Bombay will be taken up as soon as suitable land is transferred to the IDC by the Project authorities.

3.145. Asked about the loss in SMP & BO in storage, the Corporation stated in a written reply that:—

“The commodities are at present stored in hired godowns at Bombay, Calcutta, Madras and Delhi. Most of the storage is on warehousing basis. There has been no loss of sound SMP bags and BO tins while in storage except a couple of cases of theft which are reported to Police, However, spillage/leakage of certain quantities is inevitable in the course of transport, loading and unloading, particularly from slack and torn bags and leaky tins. The quantities lost are given below year-wise:

	SMP			(Figures in MT) B.O.		
	Total Qty. received	Qty. lost	% age of loss	Total Qty. received	Qty. lost	% age of loss
1970-71	6,275	2.7	0.04	2,292	5.7	0.25
1971-72	9,890	14.7	0.15	2,452	0.3	0.01
1972-73	11,983	11.7	0.10	3,707	7.5	0.20
1973-74	9,047	17.5	0.19	4,281	13.8	0.32
1974-75	10,557	6.4	0.06	8,212	27.3	0.33

The losses have been very low due to care exercised at each stage of handling.”

3.146. The Committee would like the Corporation to keep a constant watch on the storage arrangements for SMP and BO and take all possible steps to ensure that the storage arrangements in warehouses are secure and these commodities do not suffer deterioration while in storage there.

## II. Milk Collection and Chilling Centres and Feeder|Balancing Milk Plants—Action Item Nos. 4 and 5

3.147. It is stated that under Operation Flood, seven feeder balancing dairies are being expanded and 13 new feeder balancing dairies are being set up in the 10 participating States. Establishment of these dairies will enable farmers' organisations to procure, process and market milk and also to market the inputs for milk production enhancement. The progress in the construction of feeder

and feeder/balancing dairies in the milk sheds under "Operational Flood" as on 1st March, 1976 is as under:—

Sl. No.	State	Location	Raw milk in-take capacity in '000 litres/day	Milk drying capacity MT/day	Target date of commissioning	
					Processing section only	Processing and powder plant.
1.	2.	3.	4.	5.	6.	7.
1.	Andhra Pradesh	(a) Sangamia-garlamudi	150	12.5	Mid-1976	End-1976
		(b) Vijayavada*	100	..	Completed	
2.	Bihar	Patna	100	5	Mid-1976	End 1976
3.	Gujarat	(a) Anand*	400	20**	Completed	
		(b) Mehsana*	300	25**	Completed	
		(c) Sabarkantha	175	12.5	Completed	
		(d) Banaskantha	150	10	Completed	
4.	Haryana	Rohtak	100	5	Completed	
5.	Maharashtra	(a) Jalgaon	100	5	Completed	
		(b) Dhulia***	80	5	Work not yet started	Mid-1977
6.	Punjab	(a) Ludhiana*	50	5	Completed	
		(b) Bhatinda	40	5	Completed	
7.	Rajasthan	(a) Bikaner	100	5	Mid-1976	End-1976
		(b) Alwar	60	..	Mid-1978	
8.	Tamil Nadu	(a) Madurai	100	10	Completed	
		(b) Coimbatore*	20	..	Completed	
		(c) Salem****	60	..	..	
9.	Uttar Pradesh	(a) Meerut	100	10	Mid-1976	End 1876
		(b) Varanasi	100	5	Mid-1976	End 1976
10.	West Bengal	(a) Matigara	100	5	Completed	Mid-1976
		(b) Murshidabad	100	5	Mid-1978 (Planning stage)	End 1978

\*In these dairies, IDC is financing expansion programmes only.

\*\*This represents drying capacity created with IDC's assistance.

\*\*\*Government of Maharashtra have now proposed Kolhapur as second milkshed.

\*\*\*\*Now the proposal is to set up a feeder balancing dairy at Erode/Coimbatore in place of feeder dairy at Salem.



3.148. On enquiring whether the work on each plant was going according to schedule, the Corporation stated that due to difficulties experienced by the States in taking over sites, procurement of cement and steel the projects could not be completed as fast as was contemplated.

The delays in certain cases had taken place as a result of the concerned States not giving final decisions for establishment of the various projects. In some cases (Alwar in Rajasthan, Murshidabad in West Bengal, 2nd Milkshed in Maharashtra and Salem in Tamil Nadu, these decisions had not been communicated to us upto this date (October, 1975).

3.149. Regarding steps to be taken for completion of these plants within the scheduled dates, the Corporation stated that "this is primarily responsibility of the State Governments/Implementing agencies' authorities. However, we have been in constant touch with them in this regard.

Periodical high level joint meetings are arranged with the concerned State officials to sort out problems and bottlenecks. Monthly reports received from NDDB and States regarding progress of the Projects help IDC to take up the case of individual projects with State Governments and States' implementing agencies concerned where attention is needed."

3.150. Asked about their experience on working of dairies which had been completed, the Corporation stated that the dairies which had so far been completed were working as per expectations.

3.151. Under Plan of operations of 'Operation Flood' an allocation of Rs. 2098 lakhs was made for implementation of Action Item No. 4 and 5. The actual expenditure incurred from inception of the Plan till 1975-76 (September, 1975) for implementation of the Action Items is as under:—

	(Rs. in lakhs)
1970-71 . . . . .	37.62
1971-72 . . . . .	269.00
1972-73 . . . . .	311.17
1973-74 . . . . .	840.27
1974-75 . . . . .	371.59
1975-76 (Sept 75) . . . . .	240.00
<b>TOTAL</b>	<b>2069.65</b>

3.152. The Committee note that under "Operation Flood" seven feeder/balancing dairies are being expanded and 13 new feeder/balancing dairies are being set up in the 10 participating States to enable the farmers' organisations to procure, process and market milk and also to market the inputs for milk production enhancement. They are informed that due to difficulties experienced by States in taking final decision by the States, the feeder/balancing dairies in certain cases could not be completed as fast as was contemplated. In the case of Alwar, Murshidabad, second milkshed in Maharashtra and Salem, the decision of the State Government had not been communicated till October, 1975. The Committee are informed that monthly progress reports are received by the Corporation from the States and periodical high level meetings are arranged by the Corporation with the State Officials concerned to gress of these works despite the Corporation' efforts, the Committee would like that the matter should be taken up by the Ministry with the State Governments concerned at a high level and the States persuaded to expedite action in this regard to avoid any further delay in the completion of the Project. The Committee would also like that the Ministry should render assistance to the Corporation in the procurement of Steel and Cement on a priority basis to ensure that progress of the projects is not delayed due to want of essential construction materials.

(iii) *Resettlement of city-kept cattle and buffaloes—Action Item No 6.*

3.153. Under Plan of Operation, Action Item No. 6 is to be implemented by the Project authorities in States concerned. The concept involved in this Action Item was that the most effective means of displacing city-kept cattle and their owners—and resettling them in rural areas—would be the economic pressure created by large outputs of milk from the city dairies and the ready availability of milk to consumers at reasonable prices. Since the city milk plants in the four metropolitan cities of Bombay, Calcutta, Delhi and Madras are yet to achieve their targeted throughputs, this programme could not be taken up actively for implementation. The pilot project in Maharashtra during the last year did not bring about satisfactory results for resettling city-kept cattle. The Government of Maharashtra felt that the physical sealing of the city stables once vacated was not possible.

The State Governments, particularly Maharashtra Government, after their experience of procuring a large quantity of fluid milk

and the consequent effect that this had on lowering Bombay's milk market price—are of the opinion that provision under this Action Item should be a reappropriated in order to bring about expansion of such activities as setting up rural feeder-balancing dairies which will be able to process and market the milk which is already available in the milk-sheds. The Second Review Mission which recently reviewed the India WFP-Project 618, indicated its belief that such an approach to reappropriations should be supported. Appropriate measures are under way in this direction.

3.154. It has been stated by the Corporation in a reply after evidence that the programme under this Action Item has not been dropped but has been kept as a low priority item.

3.155. Under Plan of Operations a sum of Rs. 1540 lakhs was allocated for implementing this Action Item. The expenditure on this Action Item incurred so far (till 30-9-1975) is Rs. 8.73 lakhs.

3.156. Asked whether the amount already spent on this Action Item would prove to be infructuous, the Corporation stated in a reply after evidence that although the result of the pilot project did not prove satisfactory from the point of view of the resettlement of cattle, it could not be said that it had been completely infructuous because of the experience gained and also because of the fact that some animals had been salvaged from the city stable.

3.157. In reply to the reasons for unsatisfactory results under this Action Item, the Ministry stated:

"In its draft report, which was the basis for discussion with the Department of Agriculture, the Second Evaluation Mission had taken note that efforts to eliminate the practice for legislative means had not been practicable so long as alternative milk supplies were not sufficient and efforts to resettle city-kept cattle through economic incentives have not led to the desired results. The progress under this Action Item is closely linked with the economic pressure that the city milk plants can bring to bear on the milk producers and also for providing a ready and assured outlet for the milk that would become available in the rural milk shed after the city-kept cattle are removed to areas outside the municipal limits of the metropolitan cities. So long as that does not come about any effort to shift city-kept cattle to outside municipal limits, is likely to meet with scant success. The Second Evaluation Mission was, therefore, of the opinion that

efforts to change this practice must be held in abeyance unless the other phases of the project are near completion. At that time, the Mission felt and we agree, that city cattle owners may well be facing difficult economic conditions and may need economic assistance and these alone may lead to removal of the cattle from the city."

3.158. Regarding allocation of funds on implementation of Action Item No. 6 (Resettlement of city-kept cattle), the Ministry stated that expenditure on this Action Item had been rather slow. While it had been possible for the IDC to step up the expenditure on Action Item No. 8 and 9, it was unlikely that the expenditure on Item No. 6 would be anywhere near the allocation. The required degree of economic pressure which the city milk plants were to exercise for resettlement of these cattle outside the municipal limits had not been possible so far. Government proposed to take up the matter of resettlement of city-kept cattle with State Governments with a view to ensure that this Action Item was implemented.

3.159. In regard to the amount already spent on this Action Item, the Ministry stated that "Although the expenditure of Rs. 8.73 lakhs incurred on this item by the Maharashtra Government has not brought about the desired results, the Action Taken in this regard may lead to more effective results later on and to that extent, the expenditure may not turn out to be infructuous."

3.160. The Committee note that the progress on Action Item No. 6, namely, resettlement of city-kept cattle and buffaloes could not be taken up actively for implementation since the city milk plants in the four metropolitan cities of Bombay, Calcutta, Delhi and Madras are yet to achieve their targeted throughputs. The Committee have already given their remarks in regard to these projects elsewhere in the report. The Committee find that the pilot project started in Maharashtra in 1974 and on which expenditure of Rs. 8.73 lakhs was incurred has not brought about satisfactory results in Bombay. According to the Ministry this expenditure may not turn out to be infructuous and the action taken in this regard may lead to more effective results later on. The Committee would like the Ministry/ Corporation to go critically into the causes for the poor results in Maharashtra with a view to drawing lessons for future.

3.161. The Committee find that the Second Evaluation Mission had noted that efforts to eliminate the practice of city cattle keeping had not been practicable as long as alternative market supplies were not sufficient and efforts to resettle the city-kept cattle through economic incentives had not led to desired results. The progress

under this Action Item, according to the Evaluation Mission, is closely linked with the economic pressure that the city milk plants can bring to bear on the market producers and also for providing a ready and assured outlet for the market that would become available in the rural market shed after the city-kept cattle removed to the areas outside the municipal limits and therefore efforts to change this practice of city cattle keeping should be held in abeyance unless the other phases of the project are near completion. The Committee are informed that Government propose to take up the matter of resettlement of city-kept cattle with the State Governments with a view to ensure early implementation of this Action Item. The Committee would like to be informed of the developments in the matter.

3.162. The Committee would like the Ministry to persuade the State Governments to see that the other phases of the project are completed in time so that action on this item is not unduly delayed. The Committee need hardly point out that the removal of city-kept cattle to rural areas before ensuring adequate supplies of milk through organised dairies to meet the demands of the cities may well create (avoidable) difficulties for the common man. There appears to be no reason why such a position should be allowed to come to pass. They have no doubt that as the organised dairies secure commanding share of the milk markets in the four cities, the traditional milk traders who depend on the city-kept cattle will automatically feel the economic pressure and this will hasten the end of the practice of city cattle keeping. The Committee would like the Corporation/Ministry to keep the position under watch in the four cities and ensure that the city administrations initiate necessary action in this regard at the appropriate time.

**(IV) Increasing Milk Production by Provision of Technical Inputs**  
 . . . . . **Action Item No. 7**

3.163. Under Plan of Operations of "Operation Flood" Action Item No. 7 (Increasing milk production by provision of technical inputs) is being implemented by Project authorities in the States concerned. Under the technical inputs programmes, Stud Farms and Artificial Insemination Centres are to be established in all the participating States. It has been stated by the Corporation that a total of 14 lakh breedable milch cows and 7 lakh buffaloes are to be covered under the milk production enhancement programmes. The work of identification of these animals has been partly completed and is continuing in the 18 milk sheds of the feeder-balancing dairies of the 10 Operation Flood States. It has been planned

that activities for milk production will be ultimately handled by the farmers' own organisation on a fully functional co-operative basis. A village having about 250 milch animals forms the basis unit in the construction of such an organisation.

3.164. Milk Production Enhancement Programmes for all the participant States were prepared during the year and approved by the Board of Directors of the IDC. The programmes have already been launched in Punjab, Haryana, Rajasthan, Western U.P., Tamil Nadu, Maharashtra, West Bengal and Gujarat. Implementation of such programmes is under discussion with the Andhra Pradesh and Bihar State authorities. Wherever Co-operative Milk Producers' Unions have been established, the milk production inputs are being channelised through the agency of these Unions. In other places, the formation of the Unions is in progress and the inputs programmes are being handled by the State Dairy Corporations.

3.165. Asked as to how many cattle had been identified and covered under this programme so far and how long would it take to complete the work, the Corporation in a reply after evidence stated that approximately 5,00,000 animals had been covered. Further progress in identification of animals would depend on the speed at which the co-operative unions could be established and developed. It was expected that it might take another 4 to 5 years to bring about a total coverage.

3.166. It is stated that under the technical inputs programmes, Stud Farms and AI Centres have been established in all the participating States. Initially 100 Jersey/Holstein-Friesian bulls were imported during 1973 and distributed in the Operation Flood States. It is now planned that all these Stud Farms and AI Centres will be developed into semen freezing stations. To strengthen these Stud Farms and AI Centres with further import of bulls as well as semen freezing and handling equipment, a proposal for import of 105 bulls of Jersey/Friesian breed and establishment of eight semen freezing stations was made to the Danish Agricultural International Development Agency (DANIDA) through the Government of India. The first Danish Agricultural Mission visited India during March-May 1974 and submitted its report. The Mission was not in a position to visit the Stud Farms and AI Centres established by the IDC and therefore a second Mission visited India during April 1975. The second Mission visited all the Stud Farms and AI Centres and has submitted its recommendations that most of the locations proposed by the Indian Dairy Corporation be developed as semen freezing stations.

3.167. In this connection the Corporation in a reply after evidence stated:—

“The recommendations of the Danish Agricultural Missions have been agreed by the IDC and are awaiting final acceptance by the Government of India. Arrangements have been made to start work as soon as the equipment is received. The stations to be located are as under:

State	Location
(a) <i>Frozen semen stations and Bull stations (Stud Farms)</i>	
1. Rajasthan	Bassi
2. Punjab	Bhatinda
3. West Bengal	Siliguri
4. Andhra Pradesh	Hyderabad
5. Tamil Nadu	Ooty
(b) <i>Frozen Semen banks</i>	
1. Rajasthan	Alwar and Bikaner
2. Tamil Nadu	Madurai

Laboratory buildings and ancillary facilities have been completed at Bassi, Bhatinda, Siliguri, Hyderabad and Ooty and at Alwar, Bikaner and Madurai and existing buildings are being renovated. Arrangements for providing training of personnel at different levels have been approved. The plan is to have some 50 to 75 village inseminators trained and put in position in each of the above milk sheds by March/April 1976 by which time the equipment is expected to be available.”

3.168. In regard to the IDC's proposals on the recommendations of the Danish Agricultural Mission, the Ministry in a reply after evidence stated that the National Commission on Agriculture, in its interim report on Milk Production through Small and Marginal Farmers and Agricultural Labourers issued in December, 1971, had pointed out that Milk Production Enhancement Programme under WFP 618 “(Operation Flood)” envisaged gradual increase in the intake of milk for meeting the demand of milk in the four metropolitan cities through indigenous procurement from production of 21 lakh milch animals. These were estimated to comprise of 14 lakh cows and 7.0 lakh buffaloes. The proposal of the IDC for DANIDA

assistance by means of equipment and machinery, frozen semen doses and training facilities, had been finalised in consultation with the concerned authorities including the donor. Under this programme, the IDC proposed to set up 9 frozen semen stations in different parts of the country. The sanction was expected to issue very shortly.

3.169. Asked about the steps proposed to be taken to accelerate the progress of this Action Item, the Ministry stated that—

“under the Cross Breeding Programme which had been taken up in the 4th Plan and is being continued in the 5th Plan, approximately 5.0 lakh animals have already been covered. Five frozen semen stations have already been sanctioned with DANIDA assistance, and these together with other continuing programmes are expected to speed up the Cross Breeding Programme and reach the target by the end of the 5th Plan.”

3.170. It has been stated by the Corporation that the milk production enhancement programmes include the establishment of cattle-feed plants in the participating States. A number of such plants have been approved by IDC, the details of construction of these plants are given in Appendix II. It will be seen that only one cattle feed plant of 100 MTs capacity in Punjab at Khanna was commissioned during 1974-75. However, this Plant is functioning under the State Dairy Development Corporation. The performance is yet to be assessed. Five cattle feed plants are being constructed one each in Beldanga (WB), Sabarkantha and Banaskantha (Gujarat), Meerut (Western UP) and Patna (Bihar). Work on another five plants in Rajasthan, Eastern UP, Tamil Nadu, Andhra Pradesh and Maharashtra has been planned and is expected to be taken up during the next year.

3.171. Asked about the comparison of cost of cattle feed and other inputs with that of the inputs production in private sector, the Corporation stated that “the experience at Amul and Mehsana has shown that the cost of cattle feed and other inputs provided through the co-operative unions is much cheaper than those of inputs of the same quantity handled through private sector. The principle is to cut down the production cost by more efficient management and adoption of the least cost formulations and least cost system of distribution of the finished product.”

3.172. As regards, the effect of balanced cattle feed on the milk production, the Ministry in a written reply stated that “experiment



have shown that milk production can be increased to the extent of approximately 50 per cent by feeding balanced ration even to poor grade indigenous rural cows. The role of cattle feed in increasing the milk yield in the case of cross-breed cows is still more important."

3.173. Under the Plan of operations, an amount of Rs. 2850 lakhs was allocated for implementation of this Action Item. The year-wise actual expenditure incurred on this Action Item from inception of Project till 1975-76 (September, 1975) is as under:—

	(Rs. in lakhs)
1970-71 . . . . .	14.64
1971-72 . . . . .	25.36
1972-73 . . . . .	64.94
1973-74 . . . . .	78.80
1974-75 . . . . .	222.95
1975-76 . . . . . (till Sept. 1975)	95.00
Total . . . . .	501.69

3.174. In this connection the Ministry in a reply after evidence stated that the expenditure on this Action Item had been slow. It was felt that the expenditure which was at the level of Rs. 503 lakhs against a total allocation of Rs. 2691 lakhs might pick up in the next year or so with greater attention that had been given recently to this aspect.

3.175. The Committee note that as against a total allocation of Rs. 2691 lakhs against the Action Item No. 7, the expenditure has been of the order of Rs. 502 lakhs only. The Ministry have admitted that the progress on this item has been slow. The Committee are informed that a total of 14 lakhs breedable milch cows and 7 lakh buffaloes, are to be covered under the milk production enhancement programme, and out of this approximately 5,00,000 animals have been covered so far and further progress depends on the speed at which co-operative unions can be established and developed. Although the programmes have been launched in 9 States (Punjab, Haryana, Rajasthan, Western U.P., Tamil Nadu, Maharashtra, West Bengal and Gujarat), implementation of the programme is under discussion with Andhra Pradesh and Bihar State Authorities. The Committee would like to be informed of the position in regard to these two States. The Committee regret to note that total coverage would take about 4 to 5 years and this programme will

not be completed even during the extended term of the "Operation Flood". As recommended in para 3.116 of this report, they would reiterate that the Ministry/Corporation should take concerted measures to take up the matter with the State Governments to accelerated the organisation of co-operative unions in the States in order to give a fillup to this programme.

3.176. The Committee find that the IDC proposes to strengthen the Stud Farms and Artificial Insemination centres by developing them into semen freezing station through assistance from Danish-Agricultural International Development Agency. They are informed that the recommendations of the DANIDA have been agreed to by the Corporation and the sanction of Government is expected to be issued "very shortly". The Committee feel that the identification and coverage of animals under the milk production enhancement programme have to be speeded up to enable the organised dairies to capture commanding share of the milk markets in the cities. They recommend that the Corporation should draw up a time-bound programme to identify and cover the remaining 16 lakh animals under the milk production enhancement programme, take concerted measures in collaboration with the State agencies and ensure completion of the programme during the extended period of the project "Operation Flood". The Committee stress that the Ministry should expedite the matter and ensure that the work of development of semen freezing stations in different parts of the country is completed before the imported cattle arrive.

3.177. The Committee are informed that, from the experience at Anand and Mehsana, the cost of cattle feed and other inputs provided through the co-operative unions is much lower than those of inputs of the same quality handled through private sector. The Committee recommend that in the light of experience of Anand, Mehsana etc. an appropriate pattern for production and distribution of cattle feed and other inputs at economic cost to the members of the co-operatives should be evolved and implemented.

3.178. The Committee note, that out of 15 cattle feed plants proposed under the "Operation Flood", only 1 plant in Ludhiana has been commissioned, 5 are under construction, 3 are under planning and in regard to the remaining 6 plants, even the proposals have not been received from the States. They are informed that milk production can be increased to the extent of approximately 50 per cent by feeding balanced ration even to poor grade indigenous rural cows and in the case of cross-breed cows, the role of

cattle feed is still more important. In view of this, the Committee cannot over-emphasize the importance of commissioning all the proposed cattle feed plants expeditiously. They would stress that the Corporation should take up this matter with the State agencies at the highest level, help them formulate proposals where these have not yet been formulated, and take all possible measures to speed up the construction and commissioning of the cattle feed plants according to a time-bound programme so that balanced feed is available to the cattle and production of milk is enhanced.

(V) *Development of improved milch animals Action Item No. 8*

3.179. To meet the demand for pure-bred bulls of exotic breed with superior genetic merit, required for cross-breeding of indigenous cows, the IDC established 12 Bull Mother Farms during 1973 in the participating States. In addition, financial assistance was also extended to Bharatiya Agro-Industries Foundation, Urali Kanchan, Maharashtra, and also to Gujarat Agricultural University, Anand Campus, Gujarat. Development of exotic breeds at these locations, as on 31-3-1975 is given below:—

Sr. No.	Name of State/Agency	Breed	Adults		Young Stock		Total
			Male	Female	Male	Female	
1	2	3	4	5	6	7	8
1	Dairy Development Corporation, Punjab.	Jersey Friesian	4	34	18	28	84
2	Dairy Development Corporation, Haryana	Jersey	3	24	18	11	56
3	Rajasthan Govt.	Jersey	3	53*	32	31	119
4	Pradeshik Co-Op. Dairy Federation	Jersey	2	17	16	15	50
5	Literacy House Uttar Pradesh	Jersey	2	33	24	22	81
6	Bihar State Dairy Corporation	Jersey	3	17	Report received	not	20
7	Project Bengal Cell, West	Jersey	3	20	12	18	53
8	Andhra Pradesh Dairy Dev. Corpn.	Jersey	2	13	2	5	22

\*Including the cows transferred to the IDC project from the Colombo Plan.

1	2	3	4	5	6	7	8
9	Indian Detenators Ltd. Hyderabad . . .	Friesian	7	12	9	8	36
10	Tamil Nadu Dairy Dev. Corporation . . .	Jersey	2	15	9	8	34
11	United Planters' Asso- ciation of Southern India Coonoor . . .	Ferisian	7	16	4	15	42
12	National Dairy Develop- ment Board, Anand	Jersey	—	43	26	37	106
			38	297	170	198	703

*Note* :—In addition to the above, the Bharatiya Agro-Industries Foundation, Urali Kanchan maintains 100 Jersey and 100 Feriesian cows and Institute of Agriculture Anand 72 Jersey cows.

3.180. It is stated that all the units together have so far supplied some 50 bulls and will be able to supply some 150 more breeding bulls of Jersey/Friesian breed in the ensuing year. Some of the farms have also supplied young heifers, surplus to their requirement, to other institutions, including the defence establishment. In order to streamline the system of recording at the Bull Mother Farms, as well as assisting the formulation of policy on breeding in accordance with genetic principles, the IDC had assisted the NDDB in the development of a Farm Recording Manual. In order to train the Farm Managers, as well as Agronomists, the NDDB on behalf of IDC organised a one-week training programme for orientation in the farm recording system. The Farm Managers were advised to implement the recording system on a pilot basis and report the results to the NDDB for further follow up.

3.181. Asked about the capital expenditure incurred in the establishment of each Mother farm, the Corporation has stated that the model scheme has provision of a capital investment of Rs. 13.50 lakhs including cost of animals. The exact investment will depend on the local conditions and the availability of facilities.

3.182. The Corporation further stated that the model scheme expect that, provided full strength of cows are supplied, the farms will become economically viable from the third year onwards. Thereafter the scheme are expected to generate funds and operate on an economic viable basis. In order to meet initial shortfall and to serve as a working capital, a sum of Rs. 3 lakh is given as a revolving fund. No recurring expenditure is provided by the IDC for these Bull Mother Farms.

3.183. It has been stated by the Corporation that the IDC with the assistance of the NDDB has devised a reporting system for the Bull Mother Farms which will also take into account the financial performance of the bull mother farms. However, visits by officials of the IDC to different places have indicated that the Bull Mother Farms located at Ooty (TNDDC), Coonoor (UPASI), Hyderabad (IDL), Chemicals, (Bidaj NDDB), Anand (Gujarat agricultural University), Bassi (RSDDC), Bhiwani (HDDC), Bhattain (PDDC), Bijnaur (Literacy House), Rae Bareli (PCDF) and West Bengal are likely to become economically viable very soon. Only farms handled by the Andhra Pradesh Dairy Development Corporation and Bihar State Dairy Corporation are yet to attain viability. The problems relating to these farms are being taken up with the respective project authorities.

1.84 It has been pointed out that the present strength of the imported animals had declined as compared to the strength at the time of import at various places. The Corporation stated that "the reduction in the size of the imported herd in the farms at Lucknow, Patna, West Bengal, Hyderabad and Anand are due to (a) culling of the animals as outlined in the breeding policy of the farm and (b) due to premature mortality arising on account of F & M disease and Theileriasis. The capital loss caused by the death of the imported stock in most of the farms have been restored by way of insurance reimbursements. In the remaining cases, claims are under process with the insurance company. However, in all such cases the herd strength has been restored by the farm bred stock. Table below gives the details of the original imported stock allotted, deaths among them, number of cows culled/transferred and the present herd strength including the farm born stock:—

State/Agency	Imported				Cull- ing trans- fer	Death	Addition		Present Strength
	Initial stock		Present stock				by farm born ani- mals		
	F.	M.	F.	M.			F.	M.	
I	2	3	4	5	6	7	8	9	10
Andhra Pradesh Dairy Dev. Corporation Hyd.	15	2	13	2		2	7	2	24
IDL Chemicals Hyder- abad	16	7	12	7		4	9	6	35

Institute of Agriculture, Anand	104	4	52	1	49	3	91	56	200
Pradeshic Co-op. Dairy Federation	20	2	15	2		5	16	15	46
Literacy House Lucknow	8	2	8	2	..	..	25	22	86*
NDDDB, Anand	55	..	45	..	6	4	36	77	98
Project Cell, West Ben- gal	30	3	20	3		10	18	7	48
Bihar State Dairy Corpn. Patna	30	3	17	2	..	14	report awaited.		
						42			

F: Farms  
M: Males

\*Farm strength increased by purchase of 29 farm born heifers from Institute of Agriculture, Anand.

3.185 About the mortality of the young stock, the Corporation stated that "accepted calf mortality in the model scheme is 10-13 per cent during the first year, 7 to 8 per cent during the second year and 5 per cent only thereafter. Calf mortality in some of the IDC farms are given below:

Name of the Bull Mother Farm	Period of report	Calf mortality Percent
1. West Bengal	Jan. 74 to July 75 (18 months)	11
2. Punjab Dairy Development Corporation	July 74 to Dec. 1974 (6 months)	8
3. Literacy House	Sept. 73 to Sept 74 (1 year)	5
4. Haryana Dairy Development Corporation	July 74 to June 75 (1 year)	12
5. UPASI, Coonoor	March 74 to March 75 (1 year)	18
6 Rajasthan	March 74 to March 75 (1 year)	12
7. Gujarat Agricultural University Anand	March 71 to March 75 (Four Years)	4.2

The very first year when the animals are imported from totally different environmental conditions the imported stock are likely to get a set back until they are adapted to new climate conditions.

They are also exposed to diseases like F & M, Theileriasis etc. The calves born are also similarly affected. However, the second crop of calves are likely to get more adapted. As such mortality figures from third year are expected to be less.

3.186 Regarding the steps taken in this direction the Corporation stated that:—

“IDC has advised all the implementing agencies to take prophylactic measures such as vaccination against diseases like F & M, Rinderpest, Anthrax, Black Quarter and Haemorrhagic septicaemia which affect exotic breeds very seriously. All the farms have been advised to conduct annual tests against incidence of T.B. and Brucellosis. Even though Theileriasis is a problem for exotic breeds, no vaccine against this disease is available in India. All the implementing agencies have reported compliance of these recommendations. The IDC has also been in touch with the implementing agencies regarding the diagnosis and treatment of Theileriasis in order to make available to them the experience gained in these matters in other farms within the country as well as from sources abroad. IDC officers visit the farms periodically to ensure that the prophylactic and diagnostic measures are properly followed.”

3.187 Regarding proposal for import of 200 cows of Jersey/Friesian breed, the Corporation stated that the requirement of additional breeding stock was estimated as 200 Jersey/Friesian heifers in April, 1974. The Danish International Development Agency was approached through the Government of India for assistance in procuring this stock. The DANIDA visited the Bull Mother Farms only in April, 1975 and DANIDA agreed to provide about 80-85 heifers for the Bull Mother Farms located at Ooty, Coonoor, Hyderabad and Bassi. The Government of India were at present negotiating with the DANIDA the final arrangements for supply of 85 heifers. The IDC was re-estimating the requirement of additional stock for the other Bull Mother Farms taking into account the surplus breeding stock available in some of the Bull Mother Farms set up by IDC. As time passed the need for obtaining heifers/cows from abroad would be reduced as more and more heifers would be produced in the farms.

3.188. Under Plan of Operation an allocation of Rs. 400 lakhs was made for implementation of the Action Item No. 8. The year wise

actual expenditure incurred on this Action Item from inception of Project till 1975-76 (September 1975) is as under:—

	(Rs. in lakhs)
1970-71 . . . . .	5.00
1971-72 . . . . .	13.00
1972-73 . . . . .	52.97
1973-74 . . . . .	65.42
1974-75 . . . . .	13.16
1975-76 (till Sept. 1975) . . . . .	13.08
<b>Total . . . . .</b>	<b>162.63</b>

3.189. In this connection, the Ministry stated that the expenditure on this Action Item had been rather slow. However, it would be possible for the IDC to step up the expenditure under Action Items No. 8 and 9.

3.190. The Committee note that as part of its plan for development of improved milch animals (Action Item No. 8), IDC established 12 Bull Mother Farms during 1973 in the participating states besides providing financial assistance to Bharatiya Agro-Industries Foundation, Uruli Kanchan (Maharashtra) and Gujarat Agricultural University, Anand Campus (Gujarat) to meet the demand for pure-bred bulls of exotic breed with superior genetic merit.

According to the model scheme drawn out in this regard, the Mother Bull Farms are expected to become economically viable from the third year onward. They are informed that excepting Farms handled by Andhra Pradesh Dairy Development Corporation and Bihar State Dairy Development Corporation all other Farms are likely to become viable very soon. The Committee would like the Corporation to analyse the reasons as to why the Farms in Andhra Pradesh and Bihar have not attained viability and take suitable remedial measures in consultation with the State agencies to help them become viable at the earliest. They would like the Corporation to keep a watch on the working of other farms and also take timely measures to ensure their economic and efficient working.

3.191. The Committee note that the number of the imported animals at the Farms in Lucknow, Patna, West Bengal, Hyderabad and Anand has declined and this is stated to be inter alia due to premature mortality arising on account of foot and mouth disease



and Theileriasis so far 42 animals are reported to have died on this account in all the States.

3.192. The Committee are informed that in all such cases the herd strength has been restored by the farm bred stock. They are also informed that IDC officers visit all the farms to ensure that all the implementing agencies take prophylactic measures such as vaccination against diseases like F & M, Rinderpest etc. which effect exotic breed very seriously and conduct annual tests against incidence of T.B. and Brucellosis. They are distressed to learn that though Theileriasis is a problem for exotic breeds, no vaccine against this disease is available in India. The Committee would like the Corporation/Ministry to urgently get in touch with the countries from where the animals are being imported to obtain expert opinion about the prophylactic and remedial measures against Theileriasis and take all possible steps to have adequate stock of the medicine in order to save the imported animals from this disease. The Committee also suggest that the Ministry should examine the feasibility of manufacturing this important drug within the country instead of having to import it every time. The Committee would also like the Corporation to analyse each case of premature death of imported animal to make sure that such mortality is not due to any negligence on the part of the management concerned and initiate effective remedial measures where required.

3.193. The Committee note that IDC proposes to import 200 cows of Jersey/Friesian breed with assistance from the Danish International Development Agency (DANIDA) which has since agreed to provide about 80—85 heifers for the Bull Mother Farms at Ooty, Coonoor, Hyderabad and Bassi and that Government are negotiating with DANIDA the final arrangements for supply of 85 heifers. The Committee are informed that the need for obtaining heifers/cows from abroad will be reduced as more and more heifers will be raised in the farms. The Committee would like self reliance to be developed in this important field at the earliest.

(VI) *Project Planning, Implementation and Manpower Project Planning, Implementation and Manpower Development—(Action Item No. 10).*

3.194. It is stated that during the four years' period, broad planning had been completed for the programme envisaged under Operation Flood Project and special mention may be made of the follow-

ing developments which the Corporation has actively encouraged and assisted:

- (i) The National Dairy Development Board has conducted "demand" studies in Delhi, Bombay and Madras and "Supply" studies in the States (excluding West Bengal) wherein lie the cities' hinterland milksheds. These reports have been sent to the Project authorities of all the States. It has been stated by IDC that "the demand study for Calcutta and supply study for milk sheds of West Bengal were carried out by the MIS Group of NDDB in 1974-75. The reports are under finalisation."
- (ii) The National Dairy Development Board has completed planning and designing of the cattle-feed plants, feeder/balancing dairies and mother dairies and standardised the following designs:—
  - (a) Cattle Feed Plant of capacity 100 tonnes per day.
  - (b) Feeder-Balancing dairies of capacities 1,00,000 litres and 1,50,000 litres per day.
  - (c) Feeder Dairies of capacities 60,000 litres and 1,00,000 litres per day.
  - (d) Mother dairies of capacities of 4,00,000 and 2,00,000 litres per day.
  - (e) Bulk Vending Stations.
- (iii) The National Dairy Development Board has prepared models for programmes under Action Item No. 7 and model schemes for nucleus breeding herds under Action Item No. 8. These have been forwarded to the States 'Project' authorities.
- (iv) Facilities have been created at the National Dairy Development Board for training personnel at all levels sent from the participating States. During the year, 1975 personnel were imparted training. 411 personnel have been trained since the inception of the Project upto 31st March, 1975.

3.195. Asked whether the trained personnel were being utilised by the States concerned in their projects under "Operation Flood", the Corporation stated:—

"As a matter of policy, training is imparted only to candidates sponsored by the participating States and who are already

in service. On completion of their training, they are utilised for the Operation Flood Projects.

As per our information, barring one or two instances, all the trained personnel are working in the projects under Operation Flood.

3.196. About the future programmes of training, the programmes involving 200 personnel during 1975-76 were planned as under:—

- (i) Executive Development Programme for 30 personnel of Feeder Balancing Dairies nearing completion.
- (ii) Executive Programme for 20 personnel of cattle feed plants nearing completion.
- (iii) Programme for 30 operator-level persons in Dairy Plants.
- (iv) Programme for 30 operator-level persons in plant maintenance.
- (v) Programme for 45 Technicians in Artificial Insemination.
- (vi) Programme for 45 Instructors in Artificial Insemination.

3.197. It is stated that the Management Information System, for monitoring Operation Flood, covering not only the dairy plants but also the farmers' organisations and milch animals in the milk-sheds, continued its development at the National Dairy Development Board. The Corporation has commissioned a continuing information system and a systems development programme for Operation Flood, to be implemented by the NDDB.

3.198. It has been stated by the Corporation that the proposal for conducting rural household surveys in 18 selected "Operation Flood" milk sheds and urban household surveys in the four major metropolitan cities by NDDB had been accepted by IDC. In addition, Systems Development and Implementation Plants in 18 application areas were also proposed to be undertaken. A methodology had been worked out for the field work in this regard.

3.199. Asked about the specific benefits derived by IDC from such surveys, the Corporation stated that—

"Specific benefits will be derived not only by the IDC but the dairy industry as a whole from this survey from third year onwards."

- (i) Under Operation Flood, facilities have been created for conducting a full-scale farmers' induction programme. Under this programme, progressive farmers from the various milksheds Operation Flood are brought to Anand, so that they can see for themselves how the Anand Pattern works. These farmers are then able to guide and provide leadership in the formation of co-operative societies, with the help of the NDDB Spearhead Teams, in their own milksheds. So far, 238 farmers have been able to benefit by this programme conducted by the NDDB.
- (ii) Under this programme, a Training Centre has been established to develop technical manpower in the field of artificial insemination at Bidaj. The training Centre will have facilities to train two groups: (i) Veterinarians, Farm Managers, AI Technicians etc. in freezing semen and handling frozen semen, as well as in the management of breeding bulls, artificial insemination and physio-pathology of reproduction and (ii) rural youth in artificial insemination and pregnancy diagnosis. The first group will be able to man the Stud Farms and AI Centres which are to have semen freezing facilities, at the headquarters of the Unions—and the second group, rural youth, will work as lay inseminators, marketing micro-level artificial insemination facilities at the village societies (the Training Centre has been able to train 91 persons at these levels).

3.200. Under the Plan of Operations of "Operation Flood" the programmes under Action Item No. 10 are under the direct investment of the IDC. Against the original total allocation of Rs. 358 lakhs for implementation of this Action Item, the actual expenditure incurred on this Action Item from inception of the Plan till 1975-76 (September, 1975) is as follows:—

	(Rs. in lakhs)
1970-71 . . . . .	10.77
1971-72	27.56
1972-73	9.16
1973-74 . . . . .	9.09
1974-75	35.03
1975-76 (till Sep. 1975)	13.05
Total	<u>104.66</u>

3.201. In this connection, it has been stated by IDC that:

“The additional investment in the Fifth Plan on dairy development programmes has a greater emphasis on project planning to ensure the economic viability of the various programmes being undertaken. This also calls for manpower development to ensure that these projects can not only be built but also successfully be implemented on continuing basis. The expenditure has been estimated at Rs. 2,475 crores which works out to approximately 5 per cent of the total expenditure for the Fifth Plan.”

3.202. Regarding allocation of funds on this Action Item the Ministry in a reply after evidence stated that though the expenditure on Action Item No. 10 had been rather slow the expenditure on this Action Item was likely pick up in the remaining period of the project and might reach a level which might be approximately 80 per cent of the total allocation under this Action Item.

3.203. The Committee note that the National Dairy Development Board (NDDB) has conducted “demand” studies in Delhi, Bombay and Madras and “supply” studies in the States (excluding West Bengal) wherein lie the cities hinterland milk sheds. The reports for Calcutta and West Bengal are under finalisation. The Committee suggest that these “demand” and “supply” studies may be updated from time to time so as to facilitate action to balance the demand with supplies.

3.204. The Committee are informed that facilities have been created at the NDDB for training personnel at all levels sent from the participating States and a training centre has been established to develop technical manpower in the field of artificial insemination. They would like the Corporation/NDDB to draw up a perspective plan of the manpower requirements and arrange the training programmes in such a way that adequate number of trained personnel of all categories become available to man the expanding activities at the appropriate time. There should be a close liaison with the State authorities and dairies in the field so as to ensure that the curriculum and contents of the training programme subserve the objective.

3.205. The Committee note that the Management Information System is being developed at the NDDB to monitor “Operation Flood” and to cover not only the dairy plants but also the farmers’ organisations and milch animals in the milk sheds. The Corporation

is also stated to have commissioned a continuing information system and a system development programme for the project, to be implemented by the NDDB. The Committee also note that according to a proposal accepted by IDC, NDDB will be conducting rural and urban household surveys in the "Operation Flood" areas for which methodology has been worked out. The Corporation expects that specific benefits will be derived not only by the IDC but the dairy industry as a whole from these surveys.

3.206. The Committee suggest that the Corporation/NDDB should develop the Management Information System on scientific lines on various aspects of working of the projects under Operation Flood not only to monitor the activities in the interest of efficient working of the dairy plants but also to feed the producers and feeder/balancing dairies with all the relevant information to enable them to organise their operations economically and efficiently and thus achieve the social objectives of the project. The IDC/NDDB may help devise a system of meaningful reporting from the plant level to management which would enable the latter to keep a contemporaneous watch on the functioning of the Unit and take timely remedial measures in the interest of improving efficiency and effecting economies.

## IV

### SPECIAL NUTRITION PROGRAMME

4.1. Under the agreement with UNICEF, Government of India have sanctioned a 'Special Nutrition Programme' under which double toned milk is to be distributed to pre-school children at 8 ozs per day per child and the subsidy towards distribution of milk over a period of 10 years, should not be less than 1½ times the landed value of equipment for dairies supplied by UNICEF as gift (the value of the equipment expected is estimated at Rs. 1.83 crores).

4.2. It has been stated by the IDC that the Special Nutrition Programme is handled by the Social Welfare Department of Government of India with the assistance of Social Welfare Departments of States. The role of IDC is confined to payment of bills of milk schemes for supply of double toned milk under this programme. The concerned milk scheme supply double toned milk to the Social Welfare Departments/Municipalities of the State Governments and the milk is distributed to the children free of charge. The implementing agencies, viz. the Social Welfare Department/Municipalities ensure distribution of milk to the beneficiaries under the programme.

4.3. Sanctions for the programmes are issued by the Ministry of Agriculture every year in consultation with the Department of Social Welfare. The scheme was contemplated to be introduced in 20 cities, but at present the programme is being implemented in seven cities of Bombay, Calcutta, Delhi, Madras, Ahmedabad, Baroda and Surat only. The Milk is provided by the local milk schemes while the distribution is done by the State Governments through their Social Welfare Departments/Municipalities concerned.

4.4. The Government of India have sanctioned the distribution of milk to children of 0-6 years age group as shown below:—

City	No. of Children	Quantity of Milk in a Month (Lit.)
Bombay	47,000	3,20,580
Calcutta	38,600	2,65,780
Delhi	11,600	79,560
Madras	38,000	2,60,300
Ahmedabad	21,800	1,49,330
Baroda	6,000	41,100
Surat	3,500	24,660
	1,66,500	11,41,330

4.5. The cost of the milk to the extent of 60 paise per litre is met out of funds provided by Social Welfare Department of the Government of India through State Governments and the balance is met out of Special Nutrition Funds built up by IDC out of the landed value of the UNICEF equipment actually transferred to the dairies (Rs. 97.60 lakhs upto 31st March, 1975).

4.6. It was stated by IDC in a written reply that against the aid of US \$ 2.44 million (Rs. 1.83 crores) expected in kind from UNICEF. Stainless steel and dairy equipment valued at Rs. 113.50 lakhs were received by 31st March, 1975. Out of these, material valued Rs. 97.60 lakhs was transferred to the dairies; the balance is stated to be awaiting fabrication or delivery at the end of 1975.

4.7. About the receipt of remaining portion of the US aid, the Corporation stated that "the value of stainless steel and dairy equipment received as on 31st July, 1975 now totals Rs. 176.73 lakhs leaving a marginal balance of Rs. 6.27 lakhs only. This amount is proposed to be utilised for importing our pressing requirements, particularly the spare parts."

4.8. Asked whether the Corporation exercised any check on dairies to make sure that the material supplied by them had been put to proper and efficient use, the Corporation replied in affirmative. It was added:—

"In our experience, the equipment is being used satisfactorily. This has also been seen by the UNICEF representative after his visits to the various plants during the visit of the Second WFP-Evaluation Mission Team."

4.9. Regarding total amount reimbursed to the dairies, the Corporation stated that the payments made by IDC out of Special Nutrition Fund towards the cost of milk in excess of 60 paise per litre were Rs. 14,34,031 during 1974-75 and Rs. 33,46,015 since inception of the schemes upto March, 1975.

4.10. The Committee asked whether IDC assisted any Government/Cooperative/private body interested in the promotion of dairy industry to meet the requirements of milk products of the vulnerable groups, such as, nursing and expectant mothers and pre-school children in special in urban areas. The representative of the Corporation stated during evidence, that at the moment, it was only limited to the schemes sponsored by the Social Welfare Department for which financial assistance was given from the fund which the IDC had generated out of the value of the UNICEF-donated equipment.



4.11. The Chairman, IDC added that the UNICEF donated to them certain equipment and they had put the value of that equipment into a fund for children and expectant mothers. Out of that money, they gave to the State Governments who in turn feed the children that they select through the Social Welfare Department of the Ministry. Rupees 2 crores were made available for subsidising milk to the vulnerable sections, particularly children and expectant mothers.

4.12. Chairman, IDC, further stated:—

“The poorest segments of our population are not necessarily found in the cities of India. The poorest people of India may well be found in the villages of India. Therefore, one of my complaints against the UNICEF has been that they always discover poor children in big cities.”

4.13. Asked whether the Special Nutrition Programme was likely to be introduced in other cities in near future, the Corporation stated that “the Ministry of Agriculture in consultation with the Department of Social Welfare, decides about the implementation of the programme in various cities.”

4.14. In this connection the Ministry have stated:

“The Special Nutrition Programme was being financed by the Department of Social Welfare during the 4th Plan from funds available under UNICEF Assistance Programme. The programme has been transferred to the State sector under the Minimum Needs Programme. The extension of the programme and to place it on a permanent footing, would depend largely on the extent to which financial resources can be found by the State Governments to meet the difference between the cost of production and the sale price of double toned milk. The matter is under consideration.”

4.15. It is seen that in this regard the Second Inter-Agency Review Mission stated that:

“any use of milk in social welfare scheme should be clearly defined as Government's responsibility and the cost should in no way be borne by the milk plants. Since this in effect would be asking the low income rural producer to subsidise milk supplies for middle income urban consumers.”

4.16. The Corporation stated that “the second Mission Team probably wanted to point out that the milk schemes should not run at a loss in order to supply milk to consumers at an uneconomic price.

4.17. The Committee note that under the agreement with UNICEF, Government have sanctioned "Special Nutrition Programme" under which double toned milk is distributed to pre-school children at 8 ozs. per day per child free of charge. The cost of the milk to the extent of 60 paise per litre is met by the Government of India and the balance is met out of special Nutrition Fund by IDC out of the landed value of UNICEF equipment supplied for the dairies as gift (the value of equipment expected is estimated at Rs. 1.83 crores). The Committee are informed that this programme is handled by the Social Welfare Department of Central Government with the assistance of Social Welfare Departments of the States and the role of IDC is confined to payment of bills of milk schemes for supply of milk. The scheme has so far been introduced in Bombay, Calcutta, Delhi, Madras, Ahmedabad, Baroda and Surat in which over 1½ lakh children are given milk under the programme and nearly Rs. 33.5 lakhs have been paid out of the Special Nutrition Fund till the end of March, 1975. The Committee are not happy at the slow progress of the programme which has so far been introduced only in 7 cities whereas it was contemplated to be introduced in 20 cities. They would like the Government to identify other places for being brought under this programme and extend this programme to those places expeditiously. They feel that the Government need not confine this programme only to the big cities as has been done so far.

4.18. The Committee are informed that the programme was being financed during the Fourth Plan from funds available under UNICEF Assistance Programme and that it has been transferred to the State sector under the Minimum Needs Programme. According to the Ministry, the extension of this programme and to place it on a permanent footing would depend largely on the extent to which financial resources can be found by the State Governments to meet the difference between the cost of production and the sale price of double toned milk. The matter is stated to be under consideration. The Committee feel that having started this programme of supplying milk to vulnerable groups free of charge, it will be disappointing if it is curtailed or terminated on the ground of lack of resources. They would stress that Government should, in consultation with the States, make all out efforts to find ways and means of not only continuing this wholesome programme but also extending it to other areas in the interest of really needy and deserving members of vulnerable sections of society.

The Committee would also like Government to ensure that any use of milk in social welfare scheme should be such as not to result in a loss to the milk plants.

## NATIONAL MILK GRID

5.1. The IDC has taken steps to initiate national milk grid, linking Bombay, Calcutta, Delhi and Madras. This is expected to serve as the nucleus for a fluid milk grid so that regional imbalances are removed. This step is aimed at eliminating the country's dependence on imports keeping up supply of fluid milk in cities.

5.2. According to the Interim Evaluation Report of the Inter-Agency Mission. As the "Operation Flood" milk marketing programme gathers momentum, an additional 1.75 million litres of milk will have to be transported (either in liquid or in concentrated or powder form) to the four major cities of Delhi, Calcutta, Bombay and Madras from their adjoining milk-sheds. These facilities would link up the feeder and feeder-balancing plants in the milk production areas with the city plants in the consumption centres. This is, of course, the primary objective of the national milk-grid, which can be considered as consisting of four regional grids, a northern grid to feed Delhi, an eastern grid to feed Calcutta, a western grid to feed Bombay and a southern grid to feed Madras. The regional grids will need least-cost inter-connections, to help ensure balanced supplies at equitable prices throughout what will by then be the national milk grid. In the final stages, the inter-regional grid would extend to an arc between Bombay, Delhi and Calcutta. It may also be possible to extend the arc up to Andhra Pradesh in the east. However, it may not yet be possible to complete the circle by linking the Andhra Pradesh, Madras and Bombay regions.

5.3. Evaluating the requirements of these grids the Inter Agency Mission has stated that their surplus and deficit quantities of milk work out as follows:—

- (a) Western regional grid-surplus of 2,80,000 litres a day.
- (b) Northern, eastern and southern regional grids-total deficit of 5,00,000 litres a day.
- (c) To balance the national grid it will be imperative to pump milk into the deficit areas from the surplus areas. The overall deficit of 2,20,000 litres a day of fluid milk in the

national grid will be balanced by further development of milk-shed areas, and the resultant supplies of conserved milk solids from the feeder-balancing dairies which are being established and expended through "Operation Flood" and WFP aid.

5.4. It has been stated by the Corporation that the Feeder Balancing Plants in surplus rural areas can best be linked to the urban milk consumption centres via a net work of storage/transportation facilities. These facilities, created under Operation Flood can be effectively employed only if the techno-economic of such movements are consistent throughout the entire system. Thus, the recommendations in this proposal assume an appropriate rationale between the supply-demand situation and milk prices. Given this rationale, one of the objectives of this plan is to make the milk grid operational by linking a larger number of rural milksheds with the urban milk markets in the project area.

5.5. In this connection, the Chairman, IDC while explaining the scheme informed the Committee during evidence that:—

"First we would be linking the milk schemes of Bombay, Delhi, Calcutta and Madras in the form of a grid, which means that if there should be no rains in western India and there should be good rains in Northern India, if there is shortage of milk in one part and surplus in another, we would be able to move milk from the surplus areas to the shortage areas. We will do it through our railway tankers.

Secondly, we have the operation flood dairy. Suppose our dairy in Patna is unable to collect milk in competition with private ghee merchants in Patna, because the ghee price in Calcutta is high. In that case, we will have to tell Vijaywada dairy in Andhra Pradesh to produce additional quantities of ghee and send it to Calcutta to depress the prices of ghee there to the required extent. This is a rather complex process. For this purpose computer analysis is required. We are working out the different systems on the basis of the Gujarat milk grid, which is already operating with 13 lakh litre grid. It is an extremely complicated system and we are trying to sort it out. There should be feeder balancing dairies because there will be regional imbalance in production and demand of milk. This grid will have the tendency to equalise the price of milk more or less between all the cities.

Thirdly, it would benefit by standardisation of the dairies. The mother dairy in Delhi would be exactly like that of the mother dairy in Bombay, Calcutta or Madras. So, there would be standardisation of spare parts and inventory control. Judging the efficiency of the dairies also becomes easier.

The grid is connecting the farmers of one area with the farmers of another area. There is already linkage between Bombay and Delhi through Gujarat. We have to regularise that and strengthen that so that if there is shortage of milk in Delhi and there is surplus in Gujarat, milk can flow from Gujarat to Delhi if required. Now we want to establish linkage from Delhi to Calcutta.

5.6. In regard to the financial implications of this scheme, the Chairman, IDC stated that:—

“It is the cost of the transport system of 30 broad-gauge tankers and ten metre-gauge tankers.”

5.7. It has been stated that to make the National Milk Grid operational, additional facilities in the form of rail tankers, insulated/refrigerated wagons and additional storage facilities would be required for which a provision of Rs. 1.60 crores has been included in the IDC proposals for the Fifth Plan.

5.8. In this connection the Ministry in a reply after evidence stated that—

“In order to link rural areas surplus in milk with urban milk consumption centres through a net work of storage/transportation facilities, the IDC has proposed a Scheme in its 5th Five Year Plan proposals. A concrete proposal on this subject is awaited from the IDC. A broad outline of the National Milk Grid has been sent by the NDDB for consideration of the Planning Commission with a copy to this Department.”

5.9. The Ministry further stated that details of the Scheme and financial implications were still to be furnished by the IDC/NDDB.

5.10. The Committee desired to know the views of the Ministry about removing the regional imbalance in the demand and supply of

milk by linking Bombay and Delhi through Gujarat. The Ministry stated that—

“A link between Bombay and Delhi through Gujarat, for removing the regional imbalances in demand and supply of milk, has not been established so far. The IDC is examining a proposal for speedy transportation of milk from Mehsana district in Gujarat to Delhi in order, on the one hand, to reduce the glut in Gujarat State during the flush season, and, on the other, to provide assured supply to the second dairy in Delhi. The arrangement is still to be worked out and tried.”

5.11. The Committee note that IDC has taken a number of steps to initiate a National Milk Grid Scheme consisting of four regional grids to remove regional imbalances and to eliminate the country's dependence on imports for keeping up supply of fluid milk in cities. They are informed that the scheme would link the milk schemes of Bombay, Delhi, Calcutta and Madras and also the feeder-balancing plants in surplus rural areas to the urban milk consumption centres via a net-work of storage/transportation facilities. In due course the scheme could enable movement of 2,80,000 litres of milk a day from surplus western grid through a net work of road and rail tankers into the Northern, Eastern and Southern grids thus reducing the deficit of 5 lakh litres a day in these grids to 2.2 lakh litres a day. The National Milk Grid is also expected to equalise prices of milk, more or less, between all the cities and achieve establishment of connections between farmers of one area with the farmers of the other areas. It will also help standardisation of dairy plants, spare parts and facilitate better inventory control.

The Committee are informed that the concrete proposals about this scheme are yet to be received in the Ministry from the IDC although the broad outlines of the scheme have been sent by NDDB for consideration of planning Commission with a copy to the administrative Ministry but the financial implications are yet to be worked out.

The Committee feel that the National Milk Grid Scheme will, if properly implemented, be in the overall interest of the country as a whole and will help the producers in surplus areas to find markets for their surplus milk and remove scarcity of milk in the deficit areas. The Committee need hardly point out that if the tempo of development and production of milk in surplus areas is to be sustained it is imperative that the supply of milk from surplus to deficit areas should be maintained on an assured basis. As pointed out by the

**Inter-Agency Evaluation Mission** the regional grids will need least-cost inter-connections to help ensure balanced supplies at equitable prices throughout the National Grid. The Committee stress that the network of storage and transportation facilities should be operated at most economic costs, so as to minimise the overhead expenditure.

5.12. The Committee would like the Corporation/Government to evaluate the experience of the regional milk grid operating in Gujarat and draw up guidelines in the light of this experience for the extension of the grid to national level.

5.13. The Committee feel that it will be necessary to have one Central authority (which can be IDC) which can be made responsible for developing and ensuring efficient functioning of the National Milk Grid. They also feel that the administrative Ministry would have to take interest in the implementation of the scheme and give purposive lead to resolve the problems of coordination with the state authorities and also with the Central authorities concerned with the movement of milk by rail. The Committee recommend that before implementing the scheme the proposed Central authority and the administrative Ministry should, in consultation with the States concerned, make arrangements for gathering market intelligence in deficit regions regarding the quantity, quality and price of milk and milk products required there and feeding it back to the surplus regions so that the surplus regions can plan out their production and pricing strategy to suit the needs of consumption in deficit regions. Keeping the overall position of demand and supply, the Central authority should work out the techno-economics of the movement of rail and road tankers so as to ensure the quickest transportation of milk at most economic cost. It should organise its operations in such a way that the scheme is on the whole economically viable and achieve the object of ensuring balanced supplies of milk, at equitable prices both to the producers and consumers throughout the National Milk Grid.

5.14. The Committee note that standardisation of plants for dairies would facilitate the setting up of National/regional milk grid and also cut down costs on maintenance of the dairies and facilitate inventory control. The Committee would like Indian Dairy Corporation to take a lead in this behalf so that the new dairy units which come up in the country conform to the prescribed standards right from the inception.

## VI FUTURE PLANS

### A. Dairy Development During Fourth Plan

6.1. According to the Draft Fifth Five Year Plan Documents "there is a significant gap between the installed capacity of the existing milk plants and their utilisation levels in the flush season. One of the main tasks in the Fifth Plan will be to take steps aimed at increased milk production in the milk sheds of these schemes and also to strengthen the arrangements for procurement and transport. In the Fourth Plan, it was visualised that, in order to facilitate efficient operation of these schemes, their management should be transformed from departmental to corporate character. Only limited progress has been made so far. In the Fifth Plan, it will be necessary to ensure that these milk plants are no longer operated departmentally and suitable agencies are created for their management and operation. It is also visualised that these agencies will be increasingly involved in the supply of inputs and other services concerned with milk production in their respective areas."

6.2. Asked as to whether Government had gone into reasons for this gap and if so what steps had been taken or proposed to be taken in this direction, the Ministry in a reply after evidence stated—

"At the beginning of the 5th five-year plan, the existing milk plants were unable to utilise their installed capacities to the maximum on account of the following reasons:—

- (i) When these milk plants were licenced under Industries Development (Regulation) Act, 1951, the milk sheds of these plants were not well defined. As a consequence, private milk product manufacturers which were set up adjoining the milk plants, were encroaching upon the milk sheds of the city plants. While the milk plants in the public/cooperative sectors had limitations in regard to procurement price for raw milk as it was related to the selling price of milk, the private product manufacturers (primarily engaged in conversion of milk into milk products which gave greater economic return) were able to pay higher price and thus encroach upon the milk sheds of the milk plants. As a result, substan-



tial quantities of milk were drawn by the private product manufacturers from the common areas of milk availability of milk to the city plants, both in the flush and the lean season at the expense of the city milk plants reducing the availability.

- (ii) City milk plants primarily engaged in the distribution of milk to the city consumer had certain commitments in regard to quantity of milk to be distributed over the year. Since availability of milk during summer was substantially lower than the quantity available in the flush season the milk plants had to place restrictions on themselves in regard to use of milk even in the flush season and, as a consequence, only such quantity of milk as was capable of being supplied all the year round was procured and processed.

As sufficient supplies of S.M.P. and butter oil were not available in the initial stages of the project, the city milk plants had to rely mainly on rurally procured milk and the shortages in summer could not be met by resort to S.M.P. and butter oil for recombination which was in short supply."

6.3. In regard to the steps taken in the matter, the Ministry stated that:

"as a result of concerted efforts for increased milk production by cross-breeding improved feed and fodder, artificial insemination services, animal health cover in I.C.D. Ps and Key Village Schemes, the production in most areas has improved. Integrated Cattle-cum-Dairy Development Projects have been taken up with IDA assistance in Madhya Pradesh, Rajasthan, Karnataka and three more are proposed to be taken up shortly, for improving milk production and increased availability of milk to city milk plants. Increased milk production has also come about as a result of efforts under various Action items under Project WFP 618. In order to off set the wide gap in quantities available in flush and summer months, SMP and butter oil under WFP 618 is being made available to the city milk plants to keep up the supplies in lean months as far as possible.

The Ministry of Industrial Development, which is administering the Industries (Development and Regulation) Act,

1951, has been apprised of the difficulties experienced by the city milk plants on account of encroachment by the private milk product manufacturers for consideration of that Department and suitable remedial action."

**6.4. The Committee note that according to the draft Fifth Five Year Plan document, there is a significant gap between the installed capacity of the existing milk plants and their utilisation levels even in the flush season. The gap it is stated, was due partly to milk sheds of the plants not being well defined with the result that private milk product manufacturers drew substantial quantities of milk from the common areas of milk availability by payment of higher prices both in the flush and the lean season at the expense of city milk plants. The Committee are informed that the Ministry of Agriculture have apprised the Ministry of Industrial Development of the difficulties experienced by the city milk plants on account of encroachments by private milk product manufacturers and requested them for suitable remedial action. The Committee need hardly stress that the Government should keep foremost in view the interests of producers and consumers of milk in natural form while considering applications from the private sector for manufacture of milk based product. The Committee feel that if the farmer's cooperatives are set up and their linkage with feeder/balancing dairies is established under the "Operation Flood" expeditiously and the producers start getting remunerative prices and other benefits under the project, the difficulties experienced by the city milk plants in attracting adequate supplies of milk would disappear to a considerable extent.**

#### **B. Fifth Plan Proposals**

6.5. According to the Plan of Operations, the implementation of "Operation Flood" project involving 11 Action Items was originally estimated to cost Rs. 95.40 crores. It has been stated by the Corporation that the scope of this project is limited to the Fifth Plan allocations as indicated by the Planning Commission. The provisional allocations under the Fifth Plan for Milk Marketing and Dairy Development projects to be undertaken by the Indian Dairy Corporation have been fixed at R. 115.00 crores *including* the spill-over of Operation Flood from the Fourth Plan to the Fifth Plan.

## 6.6. Summary of Fifth Plan Outlays is indicated as follows:—

Action Item	Fifth Plan provision (Rs. in crores)
(I) Expansion of the city dairies existing capacity to obtain a rapid increase in their distribution of liquid milk.	2·740
(II) Expansion of handling capacity by additions to existing handling facilities and erection of raw urban liquid milk plants	1·875
(III) Storage and long distance milk transport facilities	1·600
(IV) Milk collection and chilling centres	0·310
(V) Feeder-balancing milk plants	11·600
(VI) Resettlement of city kept cattle and buffaloes	..
(VII) Increasing milk production by provision of technical inputs which will include production of ready mixed concentrates and green fodder, artificial insemination, veterinary services and medicines	12·610
(VIII) Development of improved milch animals	6·100
(IX) Organisation of rural procurement milk	5·690
(X) Project planning, implementation and manpower development	2·475
	-----
Operation Flood Expenditure (As per Appendix I)	45·000 70·000
	-----
Calf raising subsidies	115·000 7·830
	-----
Total	122·830

While expenditure on "Operation Flood" is largely being met from funds generated by WFP—donated commodities, funds for new schemes are to be provided by Government of India.

6.7. The spill-over of "Operation Flood" from the Fourth Plan to the Fifth Plan may be seen as in Appendix III. At the original total project costs, this spill-over would have been Rs. 60.60 crores. However, it is estimated that, at current prices, it would need Rs. 70 crores to achieve the physical targets laid down in the plan of action for Operation Flood.

6.8. During the Fifth Five Year Plan, the Dairy Development Programmes handled directly by the Indian Dairy Corporation would involve coverage altogether of some 85 districts in 17 states.

In particular, with the onset of the Fifth Five Year Plan, the society oriented rural programmes for milk production and marketing are to be stepped up. There are two related objectives—to obtain a greater coverage more rapidly by nucleus milk producers' organisa-

tions and to initiate practical programmes to increase milk production via these new milk producers' organisations as they start up.

6.9. It has been stated that it is proposed to set-up the following during the Fifth Plan:—

- (i) Building up Milk Producers' organisation (Action Item No. 9) with processing and marketing facilities as they will require during the Fifth Plan period.
- (ii) Subsidiary Corporation for manufacture of Dairy machinery.
- (iii) Subsidiary Unit for manufacture of immunological and biological veterinary products;
- (iv) Subsidiary Corporation for running the Delhi Mother Dairy, and
- (v) National Milk Grid.

6.10. Rural milk procurement, milk production enhancement and milch animal improvement were planned to be carried out in 10 States during the first round of "Operation Flood." Implementation of these programme commenced in 1970 and is expected to be completed by 1977. Under the project, rural milk procurement and production enhancement are to be implemented by viable milk producers' organisations, with rural Feeder/Balancing Dairies to be owned and operated by them.

6.11. In the first round of Operation Flood, 18 milk producers' organisations with the corresponding number of feeder balancing plants in the designated milk-shed areas were initiated. The Anand Pattern of dairy cooperative has proved to be an effective tool for integrated milk production enhancement, procurement, processing and marketing while also providing productive employment to farmers and their families, particularly small farmers, marginal farmers and landless labourers. In order to strengthen the activities taken up in the first round of Operation Flood, and to extend the Project to other areas, new projects are planned under the central sector of the Fifth Five Year Plan to be handled by the I.D.C.

6.12. These plants are on the lines of the recommendations made by the National Commission on Agriculture in its interim report "Milk production through small and marginal farmers and agricultural labourers", which has been accepted by the Government of India.

The Planning Commission has fixed a ceiling of Rs. 115 crores for milk marketing and dairy development projects to be undertaken by the I.D.C. during the Fifth Five Year Plan. Of this, the provision for the new schemes amount to Rs. 45 crores and the balance is to meet expenditure on the first round of the Operation Flood Project.

6.13. It was stated that though the formation of Rural Milk Producers' Organisation on the Anand pattern were being encouraged by the IDC under Action Item No. 9 (Organisation of rural milk) and the NDDB Spear-Head Teams were already assisting the project authorities in various States towards that objective, an estimate had not so far been made as to the extent to which the small and marginal farmers and agricultural labourers had been actively associated with these organisations as recommended by the National Committee on Agriculture.

6.14. Under the new schemes proposed under the Fifth Five Year Plan of the Government of India, the Indian Dairy Corporation also contemplates to set up new dairies in other cities also. New rural dairies in milk shed areas will be set up in Uttar Pradesh (one), Andhra Pradesh (one), Haryana (one), Tamil Nadu (one), West Bengal (Three), Karnataka (two) and Kerala (one). These dairies will be set up as soon as plan funds are released. It is expected that the funds will be released during third financial year of the Fifth Plan (1976-77).

6.15. In regard to provision of funds by Government of India the Corporation stated that although the Planning Commission approved an outlay of Rs. 45 crores, no provision was made in Government budget for 1974-75 and 1975-76. IDC approached the Government but were informed that it was not possible to release any funds during the first two years of the plan. The IDC had been now asked to submit revised proposals for release of funds during 1976-77. Revised plan proposals for Rs. 29 crores were now being worked out for the remaining three years of the Plan.

6.16. As regards the targets for completion of the proposed schemes/plans, the Corporation stated that "the targets for completion of Fifth Five Year Plan will be finalised after funds are released for implementation of these programmes by the Government of India."

6.17. In regard to the IDC's proposals for the Fifth Plan period, the Ministry in a reply after evidence stated that the National Commission on Agriculture, in its interim report on milk production through small and marginal farmers and agricultural labourers, had expressed the view that "the experience of Anand Milk Scheme re-

veals that small farmers derive many benefits by taking to milk production as a subsidiary occupation, for example, additional income, better nutrition and more employment opportunities to the farm family labour. Keeping this in view, major milk projects under implementation at present and those proposed for the future should bring under their ambit a large proportion of small and marginal farmers and agricultural labourers." The IDC had submitted proposals relating to dairy development programmes with the objective of strengthening the rural organisation for milk production and procurement and to link these rural organisations with major urban centres. Based on the recommendation of the Commission that financial assistance to the families of the small and marginal farmers and agricultural labourers, for rearing cross-bred female calves had potentials for increased milk production, the IDC had proposed to include 85 districts in its 5th Plan proposals, against 57 districts originally proposed.

The IDC had estimated an expenditure of Rs. 115.00 crores on various programmes under the 5th Plan including the new schemes relating to rural milk producers' organisations. It was estimated that while Rs. 70 crores may be found from out of generated funds under the project WFP 618 (Operation Flood), the remaining Rs. 45 crores would be provided from Plan resources to enable the IDC to implement the Schemes. A subsequent assessment made by IDC in August, 1975 indicated the estimated generated funds at Rs. 85 crores leaving a balance of Rs. 29 crores to be financed from Plan resources. Funds were proposed to be released during 1976-77.

**6.18. The Committee note that in order to strengthen the activities taken up in the first round of "Operation Flood" and to extend the Project to other areas, new projects are planned under the Central Sector of the Fifth Five Year Plan to be handled by the IDC. These plans are on the lines of the recommendations made by the National Commission on Agriculture in its Interim Report on "Milk Production through Small and Marginal Farmers and Agricultural Labourers" which has been accepted by the Government. The Committee are informed that the Planning Commission has fixed a ceiling of Rs. 115 crores for milk marketing and dairy development projects to be undertaken by IDC during the Fifth Five Year Plan, of which Rs. 45 crores are for new schemes and Rs. 70 crores for meeting expenditure on the first round of "Operation Flood". No funds are reported to have been sanctioned for the new schemes during 1974-75 and 1975-76. According to the latest assessment, Rs. 85 crores (as against an earlier expectation of Rs. 70 crores will be found from out of the generated funds under "Operation Flood"**

and only Rs. 29 crores (as against earlier assessment of Rs. 45 crores) will now have to be provided from Plan resources. The IDC is stated to be working out revised plan proposals for Rs. 29 crores for the remaining 3 years of the Plan period and the funds are expected to be released during 1976-77. While the Committee note that during the Fifth Five Year Plan, the dairy development Programmes to be handled directly by IDC are proposed to be extended to cover altogether 85 districts in 17 States as against 57 districts in 10 States as originally proposed under the "Operation Flood", the Committee would urge that Government should arrange for timely release of Plan funds for the dairy development programmes so that the momentum which these programmes have gained under the "Operation Flood" is not retarded or lost and the gains of the projects already initiated are not only consolidated but also extended to hitherto uncovered regions in the country. The Committee expect that the Union Government will persuade the State Governments to render all assistance to the Corporation in implementing its projects so that the objectives of the project could be realised at the earliest.

6.19. The Committee stress that the Government/Corporation should keep a close watch to see that the benefits of the scheme reach the small and marginal farmer and make for his active and willing participation in the task of economic betterment of the economically weaker sections of the society.

6.20. The Committee note that the Fifth Five-Year Plan proposals also included schemes for setting up units for manufacture of dairy machinery, immunological and biological veterinary products and a subsidiary Corporation to run the Delhi Mother Dairy. The Committee have already made recommendations on these proposals elsewhere in this Report.

6.21. The Committee find that the IDC has no programme to increase the number of Mother Dairies to cover cities other than Delhi, Bombay, Calcutta and Madras. They feel that, apart from these four cities, there are a number of other large cities where quality of milk leaves much to be desired and the prices of milk are comparatively high as the availability of milk is not enough to meet the demand in full. The Committee would like the Corporation/Government to consider the feasibility of extending the concept of Mother Dairies with the necessary infrastructure to other large cities in due course so that the gains of "White Revolution" are spread to the people living in large cities all over the country.

## VII

### QUALITY CONTROL

7.1. It has been stated by IDC that since the Corporation is entrusted with the responsibility of implementing the India-WFP Project 618, for the execution of which the Corporation received donations in the form of skim milk powder and butter oil from the World Food Programme, it is necessary to ensure quality safeguards at all stages of handling, transport, storage and processing etc.

7.2. The immediate task of the Corporation after it was set up in 1970 was to organise facilities at Bombay, Calcutta and Madras to handle the shipments of donated SMP and BO after their being tested for quality and to store them prior to transfer to the four cities 'dairies'.

7.3. On receipt of WFP commodities at ports and later on at the time of storage in godowns, rigorous checks are conducted. These commodities are transferred to the four public sector dairies at Bombay, Calcutta, Delhi and Madras who, in turn, have their own adequate arrangements for exercising quality control from the point of view of public health at the stages of processing and distribution of milk.

7.4. During the first year, considerable problems were created by the fact that quality of some commodities received from WFP was far from satisfactory. Out of 9,300 MT of SMP and 3,100 MT of BO despatched by WFP, the Corporation could accept only 6,275 MT of SMP and 2,292 MT of BO. The remainder was rejected on grounds of unsatisfactory quality and packaging. The problems regarding the quality and packaging were taken up with the WFP Headquarters at Rome. A team of specialists, deputed by the IDC, visited Europe for discussions with WFP and EEC officials and sorted out many problems. This resulted in a better understanding regarding the quality and packaging required for the purpose of recombination and the SMP and BO received subsequently were more satisfactory.



7.5. The percentage of rejection of SMP and BO stated by IDC is as under:—

Year	Receipt		Rejection		Percentage to total	
	SMP	BO	SMP	BO	SMP	BO
1970-71	6,275	2,292	2,972	803	..	25
1971-72	9,890	2,452	1,112	..	10.10	..
1972-73	11,983	3,707	484	24	3.88	0.64
1973-74	9,047	4,281	16	13	0.17	0.30
1974-75	10,557	8,212				

7.6. In this connection the Chairman, IDC stated during evidence that:

“when we started the operation, the European Economic Community which has given the milk powder under the WFP did send to us and therefore, we rejected a large quantity of it. There was a row about it. . . . I am happy to say that there was a general discontentment about this and this had to be rejected. If that is rejected, then the Commodity becomes the WFP property and it is not our property. Then they had to discuss that they and in consultation with Government of India, if they wanted us to hold them in our stores for some time till they found some way out, we could hold them in our stores. It is true that there has been a complaint about the quality of that commodity that came.”

7.7. Asked whether it was a fact that the rejected stuff was later on passed on by WFP to certain other State Dairies, the Chairman, IDC stated:—

“As far as I could recollect, there was some such thing. We had an occasion to recommend to the Government of India that this would not be allowed to be used for human consumption. It was tested and then we rejected it. We then came to know that there was a move to make use of it for the Bangladesh refugees who had come over to India.

Then we wrote to the Government of India that this would not be allowed as food to human beings once we have already rejected it."

7.8. Asked whether IDC was exercising any check on the quality of milk and milk products supplied under the IDC programme, the Corporation stated in a written reply that:—

"The IDC exercises check on quality of WFP commodities (SMP & BO) supplied to the city dairies for recombination. The quality control of milk and its products processed and marketed by the dairies is the responsibility of the concerned dairies. However, the IDC has helped the dairies to standardise the methods of recombination and has advised the dairies to recombine milk using 50 per cent WFP commodities and fresh milk."

7.9. In a further reply the Corporation added that only SMP and BO fit for recombination into fluid milk fit for human consumption were issued to dairies. These were tested again by dairies before use.

7.10. When asked whether there was any likelihood that in the dairies at the state level the milk powder got deteriorated for want of proper storing arrangement, the Chairman, IDC replied that it was possible.

7.11. Asked whether they had received such complaints, the Chairman, IDC replied "Yes sir, what is happening is the improper conversion of milk powder into milk. If the recombination of BO and SMP is not properly done, then the quality suffers. I am afraid our State Dairies in many cases do not recombine them properly, because there is key equipment homogeniser which has to be maintained and run properly and which city dairies were not doing. Of late there are no such complaints."

7.12. The Chairman, IDC further stated that ".....in every field quality control man is made subordinate to the production man but in our organisation chart quality control man is directly answerable to General Manager."

7.13. In a note after evidence, the Corporation stated that there had also been some sporadic complaints about the WFP commodities, but such complaints had not been many. There were 10 complaints for skim milk powder involving a quantity of 371 MT against 34,986 MT of skim milk powder issued to the milk schemes during the last three years, and 5 complaints for Butter-oil involving a quantity of 30 MT against 10,477 MT of Butter Oil issued to the Milk Schemes.

7.14. Apart from WFP commodities as mentioned above, IDC was also the canalising agent for import and distribution of commercial skim milk powder. So long as they were receiving SMP from New Zealand, there were hardly any complaints. Subsequently purchases were made from EEC countries and in these cases some complaints had been received. In all they had received 8 complaints for skim milk powder, involving a total quantity of 742 MT against 31,130 MT SMP issued to the allottees. (Vide statement as in Appendix IV).

7.15. In this connection the Ministry in a note after evidence stated that:—

“From the inception of the project in July, 1970, about 31,000 tonnes of skim milk powder and about 10,000 tonnes of butter oil were sent to India by World Food Programme. Out of these, 4084 tonnes of skim milk powder and 742 tonnes of butter oil, which on arrival on Indian ports, were found unsuitable for recombination into liquid milk, were not accepted by the Corporation for project use and would be replaced by the W.F.P. These damaged commodities, which are the property of WFP, if otherwise suitable for human consumption could be allocated to other WFP projects or supplied to other dairy plants or food processors, etc. The commodities unfit for human consumption could be disposed of by World Food Programme for manufacture of casein or animal feed etc. Accordingly, the damaged commodities were disposed of by World Food Programme in the following manner:—

	Skim milk Powder (tonnes)	Butter Oil (tonnes)
1. Transferred to WFP emergency operation 948 (Refugees Relief)	3134	519
2. Transferred to WFP Project 572 (Maharashtra Forest Dev. Board)	92	46
3. Transferred to WFP Project 259 (Rajasthan Canal Board)	Nil	149
4. Transferred to Hyderabad Dairy Plant	Nil	10
5. Sold for casein making	391	Nil
6. Sold for animal feed	417	Nil
7. Sold to bakeries & 'Halwais'	25	18
8. Losses including destruction by Port Health Officer	25	Nil
<b>TOTAL</b>	<b>4084</b>	<b>742</b>

Out of the commodities accepted by the Indian Dairy Corporation for project use, 566 tonnes of skim milk powder and 155 tonnes of butter oil were also subsequently found unsuitable for recombination into liquid milk. Out of these 414 tonnes of skim milk powder and 155 tonnes of butter oil which were suitable for human consumption were sold by the Corporation to the bakeries, confectionaries and 'halwais'. The remaining 152 tonnes of skim milk powder were sold as animal feed."

7.16. Asked whether the existing rules under "Prevention of Food Adulteration Rules" could not check adulteration of milk and milk products, the Chairman, IDC stated during evidence—

"There is no shortage of law but there is no honest implementation. It is implementation that is lacking."

7.17. In this connection, the Corporation stated in a written reply—

"The existing rules are not being implemented in an effective manner by the municipal authorities who are entrusted with their enforcement. So far as milk is concerned, adulteration can be checked and reduced effectively only when the urban dairies can take a commanding share of the milk market to enable consumers to be quality conscious."

7.18. Asked whether there could be any mechanism in collaboration with public sector dairies which might be evolved to check adulteration of milk, the Chairman, IDC stated that—

"in all the countries of the world it has been stopped by preventing others from marketing milk. Only the organised sector does it. This is one of the things that would be happening on account of "Operation Flood" in the four metropolitan cities of Bombay, Calcutta, Madras and Delhi. All the requirements will come through organised sector where you will check at the dairy point."

7.19. In this connection, the Ministry in a reply after evidence stated that:

"The Central Committee of Food Standards of the Ministry of Health reviews at regular intervals the working of PFA Act and the rules framed thereunder to check adulteration in food stuffs including milk and milk products. This

Committee on which the Department of Agriculture is also represented, has under consideration measures in order to make the rules more effective and the violations more punitive."

7.20. About the implementation of the rules effectively by the Municipal Authorities, the Ministry stated that:

"No specific proposal has been sent by IDC to Government, but as already stated above, the Ministry of Health is seized of the matter."

7.21. The Committee note that during the first year (1970-71) out of the 9300 MT of SMP and 3100 MT of BO despatched by WFP, the Corporation could accept only 6275 MT of SMP and 2292 MT of BO and the balance (32 per cent of SMP and 26 per cent of BO) was rejected on grounds of unsatisfactory quality and packaging. Similarly during 1971-72 out of 9890 MT, SMP received 10 per cent of SMP had to be rejected. The matter was taken up with the WFP authorities and the supplies received subsequently were more satisfactory. The Committee have given their comments in this regard elsewhere in this report. The Committee stress that the Corporation should continue to exercise utmost vigil on the quality of SMP and BO received under the WFP programme etc. and should not compromise on standards in any manner.

7.22. The Committee are surprised to note that even though IDC exercises check on quality of WFP commodities supplied to the city dairies for re-combination, there have been some complaints about the quality of these commodities issued to Milk Schemes (10 in respect of SMP involving a quantity of 371 MT out of 35000 MT supplied and 5 in respect of BO involving a quantity of 30 MT out of over 10,000 MT supplied during the last three years). Similarly there were some complaints (8 so far) in respect of commercial SMP involving a total quantity of 742 MT against 31,130 MT, SMP issued to the allottees. The Committee cannot over-emphasise the importance of conducting thorough tests to check the quality of SMP and BO not only at the time of receipt of supplies from abroad but also before issue to Milk Schemes and the allottees. They would like the Corporation to review the present mechanism and procedure laid down for testing the quality of these commodities, take all precautions to avoid any deterioration in quality during storage and ensure by all possible means that only such commodities as satisfy the prescribed standards of quality are released for human consumption.

7.23. The Committee would also like that the quality control cells

in all the dairies and plants set up under the "Operation Flood" should be independent of Production Department and answerable directly to the top management so that high standards of quality could be maintained.

7.24. The Committee are informed that it was possible that the milk powder got deteriorated at the State level in their dairies for want of proper storing arrangements. They are also informed that if the recombination of SMP and BO is not done properly, then also the quality suffers. The Committee recommend that the Corporation should lay down guidelines for proper storage and proper recombination of SMP and BO by the Mother Dairies and ensure by close follow up action that the guidelines are followed by the dairies.

7.25. The Committee find that out of 31,000 tonnes of SMP and 10,000 tonnes of BO sent to India by WFP, nearly 4,000 tonnes of SMP and 700 tonnes of BO were found unsuitable for recombination into liquid milk and were not accepted by the IDC. A part of the rejected SMP and BO was considered suitable for human consumption and passed on by World Food Programme for use of bakeries and "Halwais" and also to other Dairy Plant. The Committee were informed during evidence of IDC that some quantity of rejected SMP and BO got passed on to certain other state dairies even after the Corporation had written to the Government that the rejected stuff should not be allowed as food to human beings once the Corporation had already rejected it. The Committee recommend that this matter may be investigated by the Government with a view to fixing responsibility and ensuring that such a lapse would not recur. The Committee should be informed of the outcome of the investigation.

7.26. The Committee are informed that out of the commodities accepted by the Corporation for project use, 566 tonnes of SMP and 155 tonnes of BO were subsequently found unsuitable for recombination into liquid milk. Out of these 414 tonnes of SMP and the whole of BO which were considered suitable for human consumption, were sold to the bakeries, confectioneries and 'halwais' and the remaining SMP was sold as animal feed. The Committee are not sure whether the quality tests conducted at the time of their receipt of SMP and BO from abroad were thorough

7.27. The Committee are informed by the Ministry that the damaged commodities which were found unsuitable for recombination into milk and which are the property of WFP, if otherwise suitable

for human consumption, could be allocated to other WFP projects or supplied to other dairy plants or food processors etc. The Committee find that both the Corporation and the WFP authorities, considered certain quantities of "damaged commodities" suitable for human consumption and disposed them of for use by human beings. They cannot over-emphasise the importance of conducting a fool-proof check on such "damaged commodities", before desposing them of for human consumption. The Committee would like the Government to lay down suitable standards in this regard and take positive steps to ensure that only such SMP and BO is released for human consumption as is absolutely safe and will have no adverse effect on the health of the people,

7.28. The Committee are also informed that the SMP and BO which were not considered suitable for human consumption, were disposed of by WFP authorities and the Corporation for manufacture of caseine and animal feed etc. They feel that the possibility of such stuff being subsequently diverted for human consumption by unscrupulous elements cannot be completely ruled out. The Committee recommend that either the Government/Corporation should take measures to see that the stuff which is not considered suitable for human consumption is used solely for the manufacture of caseine and animal feed under the direct supervision of Government/Corporation authorities or that there should be built-in safeguards in the procedure for the disposal of such stuff in such a manner that it can under no circumstances get diverted to human consumption. The Committee need hardly point out that a mere certificate from the buyer of such a stuff that he will not use it for human consumption is not adequate and should not create any complacency in the Ministry or Corporation in this regard.

## VIII

### CANALISATION OF IMPORTS OF SMP

8.1. The Indian Dairy Corporation has been designated by the Government of India as canalising agent for import and distribution of skim milk powder on a commercial basis. The distribution of this imported material is restricted only to the authorised users, named by the Government of India. Commodities handled by the Corporation are so priced as to cover their original cost plus all handling costs etc. The Corporation is not permitted to make any profit on the import and distribution of these commodities.

8.2. The quantum of import of SMP is determined by the Department of Agriculture. The imports are conducted on the basis of global tenders issued by the IDC and a decision thereon is made by the Department of Agriculture on the basis of the response.

All primary action for floating of tenders and correspondence etc., which is a time consuming process, is handled by the Indian Dairy Corporation, but the final decision for award of contracts rests with the Department of Agriculture.

8.3. It has been stated by the Corporation that "this results in diffusion of responsibility and authority. Complications arise in cases of delay in decision taking on the part of the Ministry, in that the quoted prices often go up. These difficulties have been brought to the notice of the Government and a change in the procedure has been urged. No decision has so far been communicated by the Government on this point."

8.4. Asked about its experience as Canalising agency, the Corporation stated:

"All purchase proposals and tenders have to be submitted to the Government for acceptance and purchases can be made only after Government approval. The allocations of SMP are made by the Government and sale prices are finally approved by the Government. It is felt that if IDC is to



function properly and effectively as the canalising agency, such matter as purchase of SMP and its distribution should be left to the IDC to be worked out on the basis of the broad guidelines issued by the Government."

8.5. In this connection the Ministry in a note after evidence stated that:—

"In order to meet the requirements of SMP for use by dairies in the public, cooperative and the private sector, large and small scale manufacturers of baby and malted food, Army Purchase Organisation and Registered Exporters under the Registered Exporters Promotion Scheme, an assessment is made of the requirements of SMP on an annual basis. After the required amount of foreign exchange allotted by the Department of Economic Affairs, the IDC is authorised to issue global tender for procurement of SMP commercially. After the offers are received by the IDC, the proposals are considered by a Committee of the Department of Agriculture which includes representatives of the Department of Economic Affairs, Ministry of Finance and the IDC. Decisions taken by the Committee are communicated to the IDC to place orders for purchase of commercial SMP. The Committee also takes into consideration the possibility of obtaining gift from international organisations like E.C.C. or obtaining SMP on rupee payment in order to conserve foreign exchange. These decisions are based on the guidelines given by the Department of Economic Affairs which provides for certain premium in case purchases are made from the rupee payment area. The Government is, therefore, in the best position to take an overall view of not only the requirements of SMP, but also the various sources of supply including open market, rupee payment area and gift, if any.

The proposal of the IDC that the IDC should be left free to take decisions on the basis of the tenders received against global tenders without reference to government, has been examined in detail and it is felt that it will not be desirable to leave the final decisions with the IDC as it will not be able to take into account all aspects in this connection indicated in the above para."

8.6. During the last three years the import of skim milk powder under commercial purchase was as under. (No butter oil had been

Imported during this period):—

(Figures are in M.T.)

	Commercial	Bilateral gift	W.F.P.	Total
1972-73 . . .	16,877	3,422	11,983	32,282
1973-74 . . .	12,195	..	9,047	21,242
1974-75 . . .	15,000	2,750	10,557	28,307
April—June 1975 (3 months)	Nil*	Nil	4,734	4,734

\*IDC has been allowed to purchase upto 5,500 tonne of locally manufactured s.m.p. This deliberate decision was to encourage indigenous production and saving foreign exchange.

8.7. It has been stated by the Corporation that:—

“Due to improvement in milk supply position and availability of indigenously produced skim milk powder, it is likely that there will be no import of commercial SMP during 1975-76.

8.8. As regards restricting the commercial import of SMP, the Corporation stated that:—

“As more and more feeder balancing dairies are commissioned, it will be possible to convert seasonal surpluses of milk into SMP and butter to meet the shortfall during the lean seasons. This will reduce the need for import of skim milk powder.”

8.9. Asked as to when the country was expected to become self-sufficient in milk and milk products, the Corporation in a reply after evidence stated that:—

“It is too early to indicate when the country will become self-sufficient in milk and milk products. This depends on the pricing policy of raw milk and policy regarding creation of buffer-stock. It can, however, reasonably be expected that if the pricing policy is appropriate and if the buffer-stocks can be created, the need for import of SMP will be greatly reduced. There will be no need to commercially import BO or Butter fat, as far as it can be seen.”

8.10. During evidence, the Chairman, IDC stated that they had recommended that no import of milk powder is necessary for 1975-76. However, all gifts were being canalised through IDC.

8.11. On being enquired whether hereafter anybody would get milk powder, the Chairman, IDC replied, "it is so and it should be so. One of the benefits which accrued—Government canalised the milk powder through IDC and Government had to tell us import so much and then when the list of persons to be given this powder came I found 278 baby food factories in Karnataka getting worth Rs. 1 crore import licences. I had never seen a tin of baby food manufactured by these companies. This was under the guise of small scale industries. I, immediately wrote to the Government of India and demanded a CBI enquiry into this wholesale looting of foreign exchange. What one has to do is to canalise. One other reason why milk powder is wanted to be imported is that it is cheaper than Indian milk. So many dairies have got into the habit of asking for milk powder because they want the secret subsidy that goes with it. This is very ruinous to dairy development in India. Therefore, it is necessary that before we gave anybody an import licence we must have an assurance that he is taking milk from the farmers; otherwise we could not give it. . . . We should not permit it. That is why I am very happy that the Government of India have canalised the import through IDC. I hope this will be strictly followed."

8.12. The Corporation in a reply after evidence stated that:—

"SMP is permitted to be imported under the Import Trade Control Order for recombination into fluid milk for public consumption for the manufacture of Baby Food and Malted Food and to meet defence requirements. In our opinion import of SMP should be restricted to requirement of fluid milk supply, for the manufacture of Baby Food and for meeting urgent defence requirements. It would be better if import of SMP is not permitted even for the manufacture of Baby Food and defence requirements when indigenously produced milk powder is available."

8.13. Asked whether it was brought to the notice of Government, the Corporation stated:—

"The Government is aware of this position and has made a beginning by substituting imports partially by indigenous production."

8.14. In this connection, the Ministry in a reply after evidence stated that:—

“During 1975-76 it has not been necessary to import any SMP commercially. With a small stock of SMP carried over from the last year, 760 tonnes of SMP received as gift from Australia and the purchase of indigenously manufactured SMP, it is hoped that the requirements will be fully met. While it is difficult to indicate exactly when self-sufficiency in this field will be attained, the present indications are that with increased production of rural milk and with increased production of SMP indigenously, there will be progressive decline in the quantities of commercially imported SMP hereafter and imports totally cut off in a few years.”

8.15. The Committee note that Indian Dairy Corporation has been designated by the Government as canalisation agent for import and distribution of skim milk powder on a commercial basis. The Committee are informed that the quantum of import is determined by the Department of Agriculture on the basis of an assessment made of the requirements of S.M.P. for use by dairies, by Public Cooperatives and private sector and small scale manufacturers of baby and malted food army purchase organisation, etc., and the allotment of foreign exchange by the Department of Economic Affairs. Global tenders are invited by the Corporation, and final decision on the tenders is taken by the Ministry. The allocations are made by the Government and the sale prices are also finally approved by the Government. The Corporation has stated that this procedure results in delay and diffusion of responsibility and authority and if the Corporation has to function properly and effectively as the canalisation agency, such matters as purchase of SMP and its distribution should be left to the IDC to be worked out on the basis of the broad guidelines issued by the Government.

The Committee are informed by the Ministry that the tenders received by the IDC are considered by a Committee of the Department of Agriculture along with the representatives of the Department of Economic Affairs, Ministry of Finance and the IDC. The Ministry have stated that Government are in the best position to take an overall view of not only the requirements of SMP but also the various sources of supply and nature of transactions and it will not be desirable to leave the final decision with the IDC as it will not be able to take into account all aspects of the matter. The Com-

mittee would like Government to streamline the procedure to obviate delays.

8.16. The Committee are glad to note that there will be no commercial import of SMP during 1975-76 due to improvement in milk supply position and availability of indigenously produce SMP. The Committee have no doubt that, as stated by the Corporation, as more and more feeder balancing dairies are commissioned, it should be possible to convert seasonal surpluses of milk into SMP and butter to meet the shortfall during the lean seasons and this should reduce the need for import of SMP. The Committee need hardly stress the need to achieve self-sufficiency in this sphere and urge that the Corporation/Government should accelerate the progress of various works under the project "Operation Flood" so as to achieve this objective at the earliest.

8.17. As already recommended, the Committee reiterate that Government should evaluate the performance of the Corporation as canalising agency to ensure that these activities are carried out economically and efficiently and Government/Corporation should also ensure that imports, if at any time absolutely necessary to tide over a difficult situation, are kept to the barest minimum. The Committee would like the Corporation/Government to explore the possibility of diverting the accumulated stocks, if any, of donated commodities received under "Operation Flood", to public use before going in for commercial imports.

8.18. The Committee were informed that after canalising of the import of SMP was given to the Corporation, certain factories in Karnataka in small scale sector were found to have received import licences even though they were not engaged in the manufacture of baby food. They were informed that the Corporation had written to the Government and demanded a CBI enquiry into the matter. The Committee would like to be informed whether the matter has since been examined by Government and the investigation entrusted to the CBI as demanded by the Corporation, and, if so, with what results. The Committee are constrained to conclude from the above that import licences were given to the applicants without checking their standing or performance in the field of manufacture of baby and malted milk foods. They would like the Government to tighten the procedure for issue of import licences so as to ensure that licences are issued only after satisfying that the units are actually engaged in manufacture of baby foods etc., and after verification of their capacity production programme and the need.

## IX PRICING

### A. Remunerative Price

9.1. According to the IDC, the object of introducing Dairy Complexes on ('Anand Pattern') contemplated in the 'Operation Flood' Project is that the producers themselves should run the milk schemes and it will ensure that they get a remunerative price. The production cannot, however, increase the price unreasonably since they have to contend with competitive forces in the market. This will also ensure reduction in the cost of operating the dairy complex including the cost of channelising inputs.

9.2. During evidence the representative of the Ministry informed the Committee:—

“(IDC) have been constantly urging on us that unless the sale of milk is at a reasonably high price, we may not be in a position to pay the producers a remunerative price for the milk. This will, in turn, be a disincentive for them to produce more and more milk.

9.3. The Committee desired to know the steps taken by Government to ensure payment of remunerative prices to the milk producers, the Ministry in a reply after evidence stated that “Government is aware of the desirability for payment of remunerative prices of the milk producer to serve as an incentive to increased milk production. However, there is also need for keeping the sale price of milk to the city consumer as low as possible so that it is within reach of the common man. To meet this twin objective, Govt. has encouraged formation of milk producers cooperatives in the milk sheds. Incentive commission is paid to cooperatives on procurement of milk *vis-a-vis* milk contractors. Elimination of middlemen has helped the actual milk producer to receive remunerative prices.

9.4. So far as consumer price is concerned, this can be brought about by keeping the processing and handling cost at the minimum. Towards that end, quick and cheap means of transporting milk through large sized Road/Railway tankers from the milk sheds to

the city plants, cutting down of processing|handling costs and expenditure of distribution can be effective. Some steps under WFP 618 are being taken in that direction under Action item No. 3 (Strong and long distance milk transport facilities).

### B. DMS Milk

9.5. It has been stated by the Corporation that the Second Evaluation Mission Team probably wanted to point out that the milk schemes should not run at a loss in order to supply milk to consumers at an uneconomic price. The present position is that some of the Government run milk schemes are running at a loss and yet account and is not treated as subsidy?

9.6. In so far as DMS is concerned, according to the Ministry the losses suffered by the DMS on sale of milk during the last five years is as under:—

	(Rs. in lakhs)
1970-71 . . . . .	6.64
1971-72 . . . . .	52.60
1972-73 . . . . .	46.10
1973-74 . . . . .	180.97
1974-75 . . . . .	293.12

The losses suffered by the DMS are shown in its proforma account and is not treated as subsidy ?

9.7. As regards sale of milk by IDC, it has been stated that milk is not sold by IDC in Delhi. However, the NDDDB is selling small quantities of milk through milk vending booths as a part of trial run of the second dairy, the construction of which on turnkey basis was entrusted to the NDDDB by IDC. No loss on sale of milk by NDDDB is anticipated.

9.8. During evidence, the representative of the Ministry stated:—

“... We are subsidising the DMS to the extent of Rs. 2.5 to 3 crores annually to see that we are selling it at Rs. 1.3 per litre whereas the economic price will be much more than that.....double toned milk is sold at 70 paise per litre to cater the weaker sections. This subsidy in respect of special toned milk is not justified in my personal view.”

9.9. The Ministry of Finance in a note after evidence stated that in the existing situation it is difficult to increase supply of heavily subsidised double toned milk.

9.10. Asked as to why they should not utilise the subsidy for helping the milk producers for increasing the milk yield, the representative of the Ministry stated:—

“It is our endeavour to see that we stop subsidising of milk in the metropolitan cities and to utilise the resources available for the purpose of Upgrading the milch animal and see that milk production is thereby increased so that the cost might generally come down because of plentiful supply of milk. This is the philosophy that we want to adhere to. I am sure that your recommendations in the matter will also help us to bring down the cost for the weaker sections. If we increase the price of milk in Delhi areas to an economic price level, we may save the drain of valuable resources and utilise that for the developmental purposes.”

9.11. He further stated that:

“We are anxious to see that the quantity of double-tonned milk which is at present at 12,000 litres is increased. Secondly, to see that we do not incur further loss. We want to increase the price of standard milk which we are selling at Rs. 1.30 per litre.”

### **C. Supply of Milk to Economically Weaker Section of Society**

9.12. It has been suggested to the Committee that the pricing policy should be so formed that the type of milk distributed within the area where weaker sections of the society reside, get their requirements at a rate which is partially subsidised from the sale of the other type of milk and milk products which are sold to the richer section, as adopted in the District of Mahsana.

9.13. In this connection, the Corporation in a written reply stated:—

“To an extent high fat milk and milk products can be priced slightly higher and low fat milk slightly lower. However, if any scheme is to be sponsored for supply of milk to weaker sections of the society at a lower price, the State should provide subsidy specifically for that purpose.



Many of the dairy schemes sell double toned milk at a cost lower than the economic cost, in the hope that the weaker sections of the community can be benefited. However, it is seen that large section of the consumers who are getting such lower priced milk is not the weaker section. As such, the dairies should see the milk only at an economic price and special schemes should be prepared and separate subsidies should be earmarked for distribution of milk to weaker section of the community."

9.14. In this connection the Ministry stated that "this suggestion" needs detailed examination in consultation with all concerned. In a subsequent note after evidence the Ministry further stated:

"In regard to supply of milk for the weaker sections of the society, that the Department of Social Welfare runs a Special Nutrition Programme under which the public sector dairies are able to get reimbursement to the extent to which the cost of production exceeds the sale price. The programme is presently being implemented in 7 cities and covers supply of double toned milk to children of the age of 0 to 6 years and nursing and expectant mothers. The programme is implemented with collaboration of the State Governments and local municipalities.

The DMS sells some quantity of double toned milk to weaker sections of society at Rs. 0.70 per litre (against a cost of production of Rs. 1.20 per litre) outside the Special Nutrition Programme of the Department of Social Welfare. Losses suffered by the DMS are shown in proforma account."

9.15. The Committee note that one of the objects of introducing the Anand Pattern for the schemes contemplated in the "Operation Flood" is that the producers themselves should run the schemes so as to ensure that they get a remunerative price. The Committee are informed that IDC has been requesting the Central and State Governments to pursue a policy of payment of remunerative prices to milk producers. It has been stated that while Government are aware of the desirability for payment of remunerative prices to the milk producers to serve as an incentive to increased milk production, there is also need for keeping the sale price of milk to the city consumer within the reach of the common man. To meet this twin objective, Government have encouraged formation of milk pro-

ducers' cooperatives in the milk sheds and incentive commission is paid to the cooperatives on procurement of milk vis-a-vis milk contractors. The Committee are also given to understand that elimination of middlemen has helped the actual milk producers to receive remunerative prices. The Ministry have stated that the consumer price can be kept low by keeping the processing and handling cost at the minimum and by quick and cheap means of transport from milk sheds to city plants and cutting down distribution costs. The Committee are informed that some steps are being taken in that direction. The Committee would like to be informed of the position and steps taken for bringing down the consumer price.

9.16. The Committee also urge that the Corporation/Government should not relax their vigil to safeguard the interests of producers and protect them from being exploited at the hands of middlemen even during the flush season.

9.17. The Committee are concerned to note that the Government are subsidising the Delhi Milk Scheme to the extent of Rs. 2.5 to 3 crores annually in order to see that milk is sold at Rs. 1.3 per litre whereas the economic price will be much higher. The representative of the Ministry of Agriculture stated during evidence that "it is our endeavour to see that we stop subsidising of milk in the metropolitan cities and to utilise the resources available for the purpose of upgrading the milk animals and see that milk production is thereby increased so that the cost might generally come down because of plentiful supply of milk. This will also help in bringing down the cost to the weaker sections." The Committee agree with the representative of the Ministry that public funds should be utilised primarily for the purpose of increasing the milk yield. Without going into the merits of questions for grant of subsidy to DMS, the Committee would like Government to take suitable measures to place DMS on sound footing.

9.18. The Committee would also like that Government should take concerted measures to see that production and procurement of milk is stepped up so that availability of milk may increase and prices become more competitive and within reach of common man.

#### D. Marketing

9.19 It has been stated by the Corporation that initially, it was proposed that, in order to develop a stable and modern dairy industry, it was necessary for the organised sector to capture com-

commanding shares of milk markets in the major cities so that the traditional middlemen would not be able to cream off the profits of these lucrative markets by dilution etc, and thereby be in a position to outbid and undermine the rural milk procurement organisation which the organised sector was trying to erect in the cities' hinterland milk sheds. Once the modern dairies had commanding shares of the major urban milk markets, they could draw milk from rural milk sheds where it could be most economically produced. This would enable the modern urban dairies to supply milk at competitive prices on a viable basis, which would not only directly benefit poorer urban consumers, but it would also make it uneconomic to produce milk within the cities.

9.20. In order to make the country self-reliant in milk, the IDC wants to tackle the problem of marketing as well as production. The problem of marketing of milk, on which milk production centres, suffers from the lack of a proper pricing policy for producers and consumers, imbalances in production from season to season and imbalances of milk availability from region to region. The IDC all along has been requesting the Central and State Governments to pursue a policy to obtain a remunerative price for raw milk, so that the producers will have an incentive for milk production. Further, in order that the existing seasonal surpluses in the rural areas can be mopped up, and conserved for subsequent utilisation, in all the milk sheds under Operation Flood, dairy factories with conservation facilities have been and are being established.

9.21 It has been further stated that as the Corporation is not itself responsible for marketing operations, it has not undertaken any market research. The Corporation is however, desirous that the India-WFP Project 618 should assist the modern dairies in the four major cities to obtain commanding shares of their milk markets. It has therefore, arranged studies to monitor the progress made by the modern dairies in the four major cities towards capturing commanding shares of their milk markets.

9.22 Asked about the results of above mentioned studies undertaken by the IDC, the Corporation stated that data were collected not only to monitor the progress but also to provide information for formulating new projects. Under the existing situation until all the new dairies in the four cities were commissioned, the dairies could not obtain a commanding shares of the market. Furthermore, the IDC had advised the states to lay emphasis on marketing activities since large quantity of milk would now be available for sale.

9.23. The Committee are informed that in order to develop a stable, modern dairy industry, it is necessary for the organised sector or capture commanding share of milk markets in the four major cities. The marketing of milk, it is stated, suffers from the lack of proper pricing policy for producers and consumers, imbalances in production from season to season and in milk availability from region to region. Though the IDC has arranged studies to monitor the progress made by the modern dairies and provide information for formulating new projects and has also advised the States to lay emphasis on marketing activities since larger quantities of milk will now be available for sale, the Corporation has not so far undertaken any market research.

The Committee feel that there is an imperative need for market research to be conducted at all India level in regard to the extent and nature of demand of milk and milk products in the various regions during different periods of the year, ascertain the prices prevailing in these areas and feed back the information to the production centres so that the producers can adjust their operations to suit the needs of consumption centres. They would like the Corporation to draw out a perspective plan for the conversion of surplus milk in flush season into SMP and BO for use in lean seasons in the deficit regions so as to place the dairy industry in surplus regions on a stable footing. As regards regional imbalances the Committee have given their observations in Chapter regarding National Milk Grid. The Committee would like Government to persuade the State Governments to assist in the completion of modern dairies according to plan of operation of "Operation Flood" to enable public sector obtain a commanding share of milk market.

#### E. Pricing of SMP & BO

9.24. It is stated that the nature of the Corporation's activities is such that the Corporation does not have the responsibility for setting any prices. This is because the goods which it has handled have either been commercial imports of powder, which have been purchased on the basis of tenders and of decisions made thereon by the Ministry of Agriculture & Irrigation—or they have been milk powder and butter oil donated through the World Food Programme. In the latter case the prices to be changed were originally agreed between the Government of India and the World Food Programme when the India-WFP Project 618 was first sanctioned; these prices were subsequently revised in January 1974 by the Ministry of Agriculture and Irrigation on the advice of this Corporation.

9.25. A further increase of prices of milk powder and butter oil was suggested to the Government in May, 1974. The objective is that urban dairies which have the option to recombine these commodities into liquid milk or to purchase and market indigenously produced fresh milk, should not be unduly persuaded by low prices for WFP-donated commodities to substitute them for indigenously produced milk.

9.26. About the reasons for revision off the original price of SMP & BO, the Corporation in a reply, after evidence stated that the original price of Rs. 4.35 per kg. for SMP and Rs. 9.67 per kg. for BO corresponded to a price of Re. 1 per litre of milk with 6% fat and 9% non-fat solids. This was done in order to ensure that the dairies do not use low priced SMP (which was at that time available at about Rs. 3 per kg) in preference to fresh milk. Due to inflationary pressure, the price of fluid milk increased and the prices of SMP and BO from WFP were not sufficiently high to discourage the dairies from using imported gift SMP in preference to indigenous fluid milk. The proposal to increase the price was sent to the Government of India in August, 1973, and the Government agreed in January, 1974, to increase the price to Rs. 6.50 per kg. for SMP and Rs. 10 per kg. for butter oil which were lesser than what the IDC had proposed.

9.27. About the overall effects of increase of prices of SMP & BO on the implementation of Operation Flood the Corporation stated that the overall effect of increase in prices has been to induce the dairies to make greater efforts to procure milk. This has also augmented generation of funds to meet increased costs of the Project. The sale price of milk in the metropolitan cities has increased but it is not proportionate to general increase in prices. It should be clearly understood that the milk schemes will ultimately have to depend on indigenously produced milk and therefore the consumers and the dairies should get used to the price level at which milk can be procured and sold without any government subsidy or assistance by way of cheaper milk solids imported commercially or received as gift from abroad.

9.28. The Corporation stated that there was further increase in the raw milk price during 1973-74 and it was seen that some of the dairies were depending almost entirely on the imported commodities in preference to fresh milk. A proposal for revision of the sale price of skim milk powder and butter oil donated through the World Food

Programme and transferred to the four metropolitan dairies from the present level of Rs. 6,500 and Rs. 10,000 per metric ton to Rs. 9,500 and Rs. 12,000 per metric ton respectively was sent to the Government of India. This increase in prices was suggested more or less to accord with the milk price for equivalent fresh milk and would result in augmentation of funds available for projects under Operation Flood. The current lower sale prices of these products also tend to discourage the milk schemes from procuring maximum quantities of fresh milk. However, Government's approval to the second increase in the price had yet not been received.

9.29. In this connection, the Ministry in a reply after evidence stated that:—

“It was provided in the project WFP 618 (Operation Flood) that SMP and Butter OIL received under the project will be transferred to public sector dairies at pre-determined prices which were at the level of Rs. 4350 per MT for SMP and Rs. 9670 per MT for Butter Oil. These prices were equated to the rates at which rurally produced milk was then available to the public sector dairies.

On account of subsequent increase in the prices at which rurally produced milk was available to the public sector dairies, it was felt by IDC that comparatively cheaper prices at which SMP and butter oil is available for re-combination should not act as a incentive to the public sector dairies to use increasing quantities of SMP and butter oil at the expense of the rurally produced milk and, therefore a proposal was made by the IDC for increase of transfer value from Rs. 4350 to Rs. 6500 in case of SMP and from Rs. 9670 to Rs. 10,000 in case of butter oil. This was agreed by the Government and the revised prices became effective from 11-1-1974. This would not only achieve the object for which the increase was brought about, but would also make available approximately Rs. 20 crores in addition to the originally expected generation of Rs. 95.40 crores.

The IDC subsequently sent another proposal in may, 1970 for increase of transfer value of S.M.P. from Rs. 6500 to Rs. 9500 and that of butter oil from Rs. 10,000 to Rs. 12,000 per MT. The proposal was made on the same ground. Government did not see any justification in another increase by 50 per cent in case of SMP and 20 per cent in

case of butter oil soon after the first increase was made effective from January, 1974. The off-take of SMP and BO, in the meantime, had fallen substantially in the flush season 1974-75 with increased production and availability of rural milk while the supplies of WFP donated commodities picked up during that period as a result of Government's efforts made in November, 1973. The IDC was, therefore, left with substantial stocks of SMP and butter oil for disposal. Any sizeable increase in the transfer value of WFP donated commodities would have the effect of further depressing the demand for these commodities. Another consideration which weighed with the Government was that the prices of SMP in the world market had fallen substantially and compared to the level at which SMP was being sold by the IDC to the public sector dairies i.e. Rs. 6500. The same was true about butter oil as increased quantities of butter fat had become available with the public sector dairies. While the acceptance of this proposal may have the effect of placing some additional funds at the disposal of the IDC, it would have the effect of raising the price of milk to the city consumer. The proposal was, therefore not accepted."

**9.30. The Committee note that it was provided in the "Operation Flood" that SMP and BO received under the Project will be transferred to public sector dairies at pre-determined prices which were at the level of Rs. 4350 per MT for SMP and Rs. 9670 per MT for Butter Oil. In order that the comparatively cheaper prices of donated SMP and BO should not act as an incentive to the public sector dairies to use SMP and BO at the expense of the rurally produced milk, the prices of SMP and BO were, on the Corporation's suggestion, raised to Rs. 6500 MT for SMP and Rs. 10,000 MT for BO from January, 1974. The Committee are informed that a second proposal of the Corporation in May, 1974 to further increase the prices was examined by the Ministry from all angles and it has been decided not to accept it. They need hardly stress that while fixing the transfer value of SMP & BO received under the project the Ministry should be guided by the aim underlying the "Operation Flood" of ensuring development and growth of dairy industry in India so as to attain self-reliance and should also keep in mind the twin objective of giving remunerative price of milk to producers and keeping the sale price of milk within the reach of common man.**

**X**  
**FINANCIAL MATTERS**

**10.1. Working Results of the Corporation**

(Rs. in lakhs)

Year	Income	Expenditure	Net	
1970-71	257.45	285.17	(—) 27.72	
1971-72	378.75	351.01	(+ ) 27.74	} 65.81
	*36.88		(+ ) 36.88*	
1972-73	571.02	522.31	(+ ) 48.71	
1973-74	1399.04	1304.73	(+ ) 94.31	
1974-75	1315.07	1201.79	(+ ) 113.28	
			<u>293.20</u>	

\*Adjustment of previous years income in 1971-72.

**10.2. The establishment and office expenses chargeable to SMP Pool transaction of the Corporation for the last three years are stated to be as follows:—**

(Rs. in lakhs)

Year	Amount	Percentage on purchase cost
1972-73	4,65,717	0.58
1973-74	5,82,429	0.58
1974-75	6,57,519	0.45
<b>TOTAL</b>	<u>17,05,665</u>	<u>0.52</u>

**10.3. It has been stated by the Corporation that a portion of the actual establishment and office expenses incurred by the Corporation as a whole is charged to SMP Pool Account, after taking into**



account the volume of work done in connection with receipt and issue of commercial SMP.

10.4. The Corporation's disbursements (including loans and advances) an "Operation Flood" since its inception were as follows:—

		(Rs. in lakhs)				
Action Item	31-3-71	1-4-71 31-3-72	1-4-72 31-3-73	1-4-73 31-3-74	1-4-74 31-3-75	
(i) Expansion of the four cities' existing capacity . . . . .	18.06	93.74	32.17	34.26	2.05	
(ii) Expansion of handling capacity by additions to existing handling facilities and erection of new urban liquid milk plants . . . . .	10.86	16.83	118.55	340.17	411.37	
(iii) Storage and long distance milk transport facilities . . . . .		..		..	154.40	
(iv & v) Milk Collection and Chilling Centres & Feeder/balancing Milk Plants . . . . .	37.62	269.00	311.17	840.27	371.59	
(vi) Resettlement of city-kept cattle/buffaloes . . . . .			7.73	..	1.00	
(vii) Increasing milk production by provision of technical inputs . . . . .	14.64	25.36	64.94	78.80	222.95	
(viii) Development of improved milch animals . . . . .	5.00	13.00	52.97	65.42	13.16	
(ix) Organisation of rural procurement of milk . . . . .		2.00	6.25	11.07	29.01	
(x) Project planning, implementation and manpower development . . . . .	10.77	27.56	9.16	9.09	35.03	
(xi) Miscellaneous including unloading, storing and inland transportation of WFP Food . . . . .	15.99	40.16	32.54	26.38	45.71	
Central Pool of equipment and dairy machinery for supply of dairies (to be distributed ultimately to Action Items 1, 2, 3, 4, 5 . . . . .	..	73.58	86.75	118.13	(—)125.94	
	112.94	561.23	722.23	1523.59	1160.33	

During the year 1974-75, a total of Rs. 1008.97 lakhs was disbursed to the State Agencies for projects under Action Items 1, 2, 4, 5, 6 and 7 bringing the total so disbursed since the inception of the projects, until 31st March, 1975 to Rs. 3323.13 lakhs.

A sum of Rs. 74.17 lakhs was disbursed to States and other Agencies for programme to be executed under the direct responsibility of the Corporation bringing the total so disbursed, since the inception of the project, to Rs. 229.87 lakhs.

10.5. From the Annual Report of the Corporation for 1974-75, it is seen that the disbursements for Operation Flood exceeded the generation of funds by transfer of WFP commodities and funds were borrowed against the cash credit limits of Rs. 200 lakhs each with the State Bank of India and the Bank of Baroda. As on 31st March, 1975, a sum of Rs. 339.56 lakhs has been drawn against these limits. In the case of WFP commodities, the funds received were inadequate since an unduly large quantity was received from WFP during February-April, 1975. Since the urgent representations made to the Government did not bring any relief, funds for above payments had to be found by cutting down disbursements for "Operation Flood" schemes. This had a dampening effect on the "Operation Flood" schemes.

10.6. About the criteria for disbursement of funds, it has been stated by the Corporation that the States concerned prepare project estimates on the basis of fund allocation for different action items and submit to IDC for approval. These project estimates are scrutinised by NDDB. On receipt of views of the Board, these are again examined by IDC and then put up to Board of Directors of IDC for approval. Depending on the ways and means position and the progress in utilisation of funds already released, further funds are sanctioned to the States within the ceilings approved by the Board of Directors in each case.

10.7. To ensure that the funds disbursed by the Corporation to the implementing agencies are utilised for the purpose for which these were given, the Corporation exercises the following checks:—

- (i) Utilisation reports of the funds already released (monthly and quarterly) are called for in the prescribed proforma,
- (ii) Physical Progress of work is assessed.

The figures furnished by the implementing agencies are checked with the targets and the implementing agencies are accordingly advised. Action is stated to be in hand to initiate performance audit

of the implementing agencies with regard to utilisation of funds disbursed under Operation Flood. IDC teams were visiting Gujarat, Tamil Nadu and Maharashtra for the purpose.

10.8. The Corporation informed the Committee that while some of the States were regular in submission of the Reports, a few, at times, default in submission of these reports. Such implementing agencies were regularly reminded and further disbursements were held up, if warranted by the circumstances. In some States, there was still some resistance at the departmental level to the introduction of the Anand Pattern.

10.9. The Committee note that the Indian Dairy Corporation has so far been able to generate surpluses to the extent of Rs. 2.93 crores from 1970-71 to 1974-75. The bulk of the surplus is reported to be on account of interest received and receivable. The Committee also note that the disbursement for operation flood exceeded the generation of funds by transfer of WFP commodities and funds had to be borrowed against the cash credit limits with the State Bank of India and the Bank of Baroda. The Committee also note from the Annual Report of the Corporation for 1974-75 that in the case of WFP commodities, the funds received were inadequate with the result that disbursement from the "Operation Flood" schemes had to be cut down for making payments and this had a dampening effect on the operation flood schemes. The Committee have already given their recommendations in regard to the generation of funds and allotment of funds to the Corporation in earlier chapters of the Report.

The Committee find that funds are disbursed to the States for different "Action Items" on the basis of project estimates, scrutinised by the NDDB and approval by the Board. Depending on the ways and means position and the progress in the utilisation of funds already released, further funds are sanctioned to the States within the ceilings approved by the Board. To ensure that the funds disbursed by the Corporation to the implementing agencies are utilised for the purpose for which they have been given, the Corporation gets utilisation reports monthly and quarterly in prescribed pro-forma along with progress reports of work done. The Committee are informed that while some of the States were regular in submission of the reports, there had been defaults in submission of the reports by a few States and disbursements were held up for want of such reports. The Committee would like that a system be introduced by which the implementing States may be required to submit monthly/quarterly reports of utilisation along with the reports of work

done on prescribed dates so that the Corporation may be in a position to ensure utilisation of funds for the purposes for which they were given. The Committee would also like Government to advise the States of the necessity of sending such periodical returns at prescribed periodical intervals and in prescribed proformae so that a review of the performance both financial and physical can be made on a uniform basis.

10.10. The Committee find that the Corporation is already initiating action to introduce "performance audit" of the implementing agencies with regard to utilisation of funds disbursed under the operation flood and the IDC teams are visiting Gujarat, Tamil Nadu, Maharashtra, for the purpose.

The Committee would like to know the significant points which are brought to notice as a result of the performance audit and the follows-up action taken thereon.

10.11. The Committee have elsewhere in the Report given their observations on the information system which is being built up by the I.D.C. They have no doubt that the information system devised would be such as to take care of the true state of finance of the unit in order to aid the management with factual information for the best deployment of financial resources to achieve the objective.

10.12. Internal Audit Cells may also be established in the large field units and in the Corporation, so that these can bring to notice any serious irregularities requiring immediate remedial action and thus help in effecting savings by cutting out waste and infructuous expenditure. The Committee would like to be informed of the concrete measures taken by the Corporation in this behalf.

## **XI**

### **ORGANISATIONAL SET UP**

#### **A. Board of Directors**

11.1. The Corporation originally had sixteen Directors, including the Chairman and the Managing Director. However, the number was later revised to nine. The Board of Directors of the Corporation is assisted by a Consultative Committee with 21 members.

11.2. It has been suggested that Indian Dairy Corporation should be broadly represented at the Directors level and in various working groups from all over the country including various experts from different fields and from non-Governmental bodies also.

11.3. It has also been suggested to the Committee that the Indian Dairy Corporation should continue to have persons on its Board who are producer oriented. This step would certainly result in guarding the producers' interest.

11.4. In this connection, the Corporation stated that:

"If the IDC is to function efficiently as a financial body, it should have small Board of Directors. Further, there should not be any representative from borrowing bodies on the Board. At present there are 8 members on its Board out of which only 2 are IAS officials and 2 are officers other than IAS. The present Board has representatives of Government and dairy experts, who are also associated with NDDB. The IDC and NDDB are already producer oriented. It is also expected that the officials of the Ministry of Agriculture who are to look after the interests of the farmers are also producer-oriented."

11.5. During evidence, the representative of the Ministry stated that:

"There should be a greater representation given in IDC to the States and other interests involved. IDC has to work through the States so their representatives should be involved."

11.6. The Ministry stated in a reply after evidence that:

"It is proposed, for effective implementation of Project WFP 618 (Operation Flood), to broad-base the Board of Directors of IDC. So far as the experts in the field of Animal Husbandry and dairy/management are concerned, it is felt that the representation is adequate. Representation from non-Government bodies, producers/consumers would, *inter-alia*, be considered when the Board of Directors of the IDC is expanded."

11.7. Asked whether the Ministry proposed some structural changes in the IDC/NDDDB, the Ministry stated that:

"Broadly, the proposal is to make the IDC more broadbased by giving, by rotation, representation to the States/Union territories."

#### B. Coordination with I.C.A.R.

11.8. Asked whether the IDC established any coordination with the Indian Council and Agricultural Research in the achievement of its objectives, the Corporation stated that:

"Representative of Indian Council of Agricultural Research is on the Consultative Committee of IDC. Also there is a representative of ICAR on NDDDB which is acting as the technical consultant to IDC. Assistance of ICAR has been sought in the sphere of Fodder Development. National Dairy Research Institute carried out storage trials of Butter Oil at the suggestion and cost of IDC."

11.9. The Ministry stated in a written reply that:

"The I.C.A.R. is represented on Consultative Committee of the IDC and also on the NDDDB. This enables the IDC/NDDDB to keep abreast with the latest techno-economic studies relating to the new varieties of fodder developed at the Institutes of the I.C.A.R. and the Agricultural Universities. This is particularly helpful to the IDC in planning and executing programme for supply of feed which forms one of the major inputs under Action Item No. 7 of WFP 618 (Increasing milk production by provision of technical inputs which will improve production of ready mixed concentrates and green fodder, artificial insemination veterinary services and medicines and calf rearing assistance).

Association with I.C.A.R. AND its Institutes has not only helped the IDC to take advantage of latest techniques/developments in the field of feed and fodder, but has also helped in project planning. It is felt that the coordination is working well."

### **C. Relationship between IDC and NDDB**

11.10. It is stated that after the Corporation had been formed, in accord with a resolution of the Government of India, Chairman of the National Dairy Corporation Board was appointed Chairman of the Indian Dairy Corporation. This appointment reflected the Government's view and intention that the functioning of the Indian Dairy Corporation and the National Dairy Development Board should be complementary to each other, and, to this end, some members of the N.D.D.B. were also appointed as Directors of the Indian Dairy Corporation.

11.11. Explaining the inter-se relationship of IDC & NDDB, the Corporation in a written reply stated:

"The National Dairy Development Board had already been established by the Government for handling these technical subjects before IDC was established. It was the NDDB which formulated the Operation Flood Project to replicate Anand pattern dairy complexes in other States. It was initially contemplated that the NDDB would implement the Operation Flood Project. However, the Ministry of Agriculture found that the NDDB, as a registered society, was not legally competent to transact financing activities. The IDC was created for these financial activities whereas the NDDB was retained as a technical body in the field of dairying.

The precise relationship between IDC AND NDDB is indicated below:

- (i) All project proposals received from various States are sent to NDDB for technical and general scrutiny. The NDDB's technical comments are considered before approving of the projects.
- (ii) The NDDB's advice is obtained regarding design and specifications in respect of equipment to be procured. Some items of equipment were procured, in the initial stage, through the NDDB.

- (iii) In specific areas, such as the setting up and commissioning of mother dairy at Delhi, the NDDB was engaged to do the job as desired by the Government of India.
- (iv) The NDDB X conducts training programmes for various personnel from the States participating in the Operation Flood project.
- (v) The NDDB's expertise in the field of building up farmers' organisations is utilised by deploying NDDB's spearhead teams in various States.
- (vi) The NDDB was commissioned to prepare a scheme of Monitoring and Management Information System.

In some cases, like (i), (ii), (iii), and (iv) above, approved fees are paid. In other cases, such as (v) and (vi), the entire cost of the project is borne by the IDC.

For ensuring a close and meaningful relationship, the IDC and NDDB have a common Chairman and some common Members on the Board of Directors/Executive Committee."

11.12. About the idea of merger of these organisations, the Corporation stated that:

"In the long run it would be beneficial to bring about merger of the two organisations so that the NDDB can become the Research & Development Wing of the merged organisation. Such merger should be done in such a way that activities of NDDB do not get inhibited due to procedural difficulties."

11.13. In this connection the Ministry have stated that NDDB was set up under the aegis of this Department and was registered as a Society under the Societies Registration Act on 21-9-1965 and subsequently registered under the Bombay Public Trust Act on 2-6-1966. The main objective of setting up the Board was to provide technical facilities and know-how in order to step up dairy development in the country. The Board is mainly engaged in providing technical consultancy services to the State Governments and dairies run in public, cooperative and private sector. The Board also provides training facilities in the field of Animal Husbandry and dairy. The Board is technical consultant to the IDC.



The IDC was registered on 13-2-1970 under the Indian Companies Act 1956, Besides implementation of WFP 618 ('Operation Flood'), the IDC functions as canalising agency for import of S.M.P.

11.14. Asked about the clear distinguishing areas of the jurisdiction of NDDB & IDC, the representative of the Ministry stated during evidence:—

NDDB is a technical body which interests itself in training activities, project preparation and other technical know-how required by the States. But IDC is the body which actually receives gifts and other commodities from the WFP, stores them and sells them to various allottees and generates funds."

11.15. As regards the question of merger of NDDB with the IDC, the Ministry stated in a written reply after evidence that:

"The question of merger of NDDB with the IDC has not been considered by the Government so far."

11.16. The Committee note that IDC was registered in 1970 under the Indian Companies Act 1956 for implementing the project "Operation Flood" which was earlier formulated by the National Dairy Development Board (NDDB). They are informed that the NDDB was set up as a registered Society in 1965 to provide technical consultancy services to the State Governments and dairies run in public, cooperative and private sectors and training facilities in the field of animal husbandry and dairy. The NDDB is technical consultant to the IDC and inter alia, offers technical advice on all the projects included in "Operation Flood". Pending final decision regarding the agency to run the Delhi Mother Dairy, the NDDB is also managing the affairs of this Dairy. The Committee are informed that for ensuring a close and meaningful relationship, the IDC and NDDB have a common Chairman and some common members on the Board of Directors/Executive Committee. The Ministry have stated that the question of merger of the two organisations has not been considered by the Government so far. The Committee agree with the IDC that "in the long run it would be beneficial to bring about merger of the two organisations so that the NDDB can become the research and development wing of the merged organisation. The merger should be in such a way that activities of NDDB do not get inhibited due to procedural difficulties."

11.17. The Committee note that originally the Corporation had 16 Directors, including the Chairman and the Managing Director. The

number was later reduced to 9 out of which 4 are officials. A Consultative Committee of 21 members was also set up to assist the Board. The Committee are informed that for effective implementation of "Operation Flood", it is proposed to make the Board of Directors of IDC broad-based by giving, by rotation, representation to the States/Union Territories, so far as the experts in the field of animal husbandry and dairy/management are concerned, it has been stated that the representation is considered adequate. The Committee are also informed that representation from non-Government bodies, producers/consumers would, inter alia, be considered when the Board of Directors is expanded. According to the Corporation, if the IDC is to function efficiently as a financial body, it should have a small Board of Directors and there should not be any representative from borrowing bodies on the Board. The Committee would like the Ministry to review the composition of the Board in consultation with the IDC and determine whether and if so, how it should be strengthened and broad-based with a view to ensure accelerated implementation of the Project "Operation Flood" and other projects which are proposed to be assigned to the Corporation during the Fifth Five Year plan. They need hardly stress that the Board should be a compact and balanced body of small size so as to be able to function effectively and efficiently like a team.

11.18. The Committee also recommend that the IDC should continue to keep close liaison with ICAR and also with National Dairy Research Institutes in the larger interest of integrated development of the dairy industry and animal husbandry in the country.

NEW DELHI;  
April 2, 1976

Chaitra 13, 1898

NAWAL KISHORE SHARMA

Chairman,

Committee on Public Undertakings.

## APPENDIX I

(Referred to in para 3.9)

*Action-Item-wise year-wise targets and actual expenditure since inception of Project, until September, 1975.*

(Rs. in lakhs)

Action Item	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76 (April-Sep. 75)	Total upto 30-9-1975	Target as per plan of operation	Percentage of Col. 8 to Col. 9
	Actual Ex- penditure	Actual Ex- penditure	Actual Ex- penditure	Actual Ex- penditure	Actual Ex- penditure	Actual Ex- penditure	Actual Ex- penditure		
1.	18.06	93.74	32.17	34.26	2.05	..	180.28	191.00	94.4
2.	10.86	16.83	118.55	340.17	411.37	187.20	1024.98	1400.00	77.5
3.	..	..	..	..	154.40	24.35	178.75	317.00	56.4
4 & 5	37.62	269.00	311.17	840.27	371.59	240.00	2069.65	2098.00	98.7
6.	..	..	7.73	..	1.00	..	8.73	1540.00	0.5
7.	14.64	25.36	64.94	78.80	222.95	95.00	501.69	2850.00	17.6
8.	5.00	13.00	52.97	65.42	13.16	13.08	162.63	400.00	40.6
9.	..	2.00	6.25	11.07	29.01	25.00	73.33	180.00	40.7
10.	10.77	27.56	9.16	9.09	35.03	13.05	104.66	358.00	29.2
11.	15.99	40.16	32.54	26.38	45.71	37.08	197.86	206.00	96.4
Central Pool of Equip- ment to be ultimately charged to Action Item Nos. 1, 2, 3, 4 & 5.	73.58	..	86.75	118.13	(-) 125.94	27.87	180.39	..	..
<b>TOTAL :</b>	112.94	561.23	722.23	1523.59	1160.33	662.63	4742.95	9540.00	49.7
<b>Targeted expenditure :-</b>	585.75	1747.75	2548.75	2528.50	1731.25	378.00	9540.00		

## APPENDIX II

(Referred to in para 3. 170)

*The Number of cattle feed Plants approved by the IDC and their status of construction*

Milk shed	Location of the plant	Present status
Darjeeling	Siliguri	Under construction
Murshidabad	Beldanga	Proposal awaited from the West Bengal Project Cell
Patna	Patna	Under construction
Sbarkantha	Himathnagar	Do.
Benaskantha	Palampur	Do.
Jalgaon	Jalgaon	Do.
Bhatinda	Bhatinda	Proposal awaited from PDDC.
Ludhiana	Bhatian	Commissioned
Gurgaon	Gurgaon	Proposal awaited from HDDC/State Government
Alwar	Alwar	Under planning
Bikaner	Bikaner	Proposal awaited from Government of Rajasthan
Meerut	Hapur	Under Planning
Varanasi	Varanasi	Under Planning
Erode	Erode	Proposal awaited from TNDDC/Tamil Nadu Govt.
Guntur	Guntur	Proposal awaited from Andhra Pradesh Govt/APDDC

### APPENDIX III

(Referred to in para 6.7)

#### Fourth and Fifth Plan outlays for operation Flood

(In lakhs of Rupees)

Action Items	1	2	3	4	5
	Total provi- sion as per agreement with WFP	IVth Plan pe- riod (upto 31-3-1973)	Spill over to the Vth Plan period	Revised esti- mates at cur- rent prices	
I. Expansion of the four city dairies existing capacity to obtain a rapid in- crease in their distribution of liquid milk . . . . .	191.00	191.00			..
II. Expansion of handling capacity by addition to existing handling facilities and erection of new urban liquid milk plants . . . . .	1,400.00	965.00	435.00	735.00	
III. Storage and long distance milk transportation facilities . . . . .	317.00	140.00	177.00	227.00	
IV. Milk collection and chilling centres } A } V. Feeder-Balancing Milk Plants } VI. Resettlement of city-kept cities and buffaloes . . . . .	2,098.00	1,355.00	743.00	1,143.00	
VII. Increasing milk production by provision of technical inputs which will include production of ready mixed concentrates and green fodder, arti- ficial insemination, veterinary services and medicinals . . . . .	1,540.00	13.00	1,527.00	1,527.00	
VIII. Development of improved milk animals . . . . .	2,850.00	355.00	2,495.00	2,595.00	
IX. Organisation of rural procurement of milk . . . . .	400.00	180.00	220.00	250.00	
X. Project Planning, implementation and manpower development . . . . .	180.00	64.00	116.00	146.00	
XI. Misc. including unloading storing and inland transportation of commo- dities . . . . .	358.00	82.00	276.00	276.00	
	206.00	135.00	71.00	101.00	
	9,540.00	3,480.00	6,060.00	7,000.00	

## APPENDIX IV

(Referred to in para 7.14)

*Commercial import of and SMP received as gift from Canada and EEC*

Sr. No.	Letter No. & date	Nature of complaint	Action taken by IDC
1	2	3	4
1	P II -8(D 73-74/2323 dt. 21-6-73 from Lucknow Coop. Milk Producers' Union Ltd., Lucknow.	The dairy reported that 150 MT SMP supplied from Calcutta ex. City of Toronto (Canadian Shipment) may not be fit for recombination as powder was old and moisture had also increased.	The complaint was investigated by the representatives of Ministry of Agriculture & IDC and as a result IDC offered to replace 10 MT which was in lumps. However, dairy in the meantime consumed the stock.
2	F9-117/73 SPI dt. 18/20-5-74 from Chairman, DMS, New Delhi	DMS reported that packing of SMP supplied from Kandla ex. m.v. Hell & Skou (Belgian consignment) was very bad and about 40% bags were badly torn in handling	Damaged bags were got salvaged in the presence of insurance surveyors and credit for rejection of 5 MT was allowed. Claim for such rejections have been lodged on the underwriters.
3	DMS/SMP-Rej./B-2618 dt. 9-10-74 from GBMS, Bombay.	GBMS reported that SMP supplied from Kandla ex. m.v. Helle Skou (Belgian consignment) was having very bad packing and there was heavy rejections on account of lumps.	Credit for rejected stock totaling 12 MT as per insurance survey was allowed and loss has been claimed from insurers.
4	PII-(D)/75-76/787 dt. 22-3-75 from Lucknow Producers' Coop. Milk Union Ltd., Lucknow.	Reported that acidity and solubility of 115 MT SMP in stock had deteriorated.	The supply was from San Benito (Hungarian consignment) received in Oct. 74. A formal complaint under Warranty Clause was lodged and further details were called for from Milk Scheme for furnishing to suppliers. These are awaited.
5	PII-8/75/76/1777 dt. 26-7-75 from Lucknow Producers Coop. Milk Union Ltd., Lucknow.	Reported that 25% of the stock from the consignment for 80 MT supplied from Bombay ex. ss Jalapalka (EEC gift consignment) was solid/semi-solid.	The complaint is under investigation.

1	2	3	4
6	71/DM—SMP dt.5-7-75 from Kanpur Milk Board, Kanpur.	Dairy reported that 20MT supplied from Bombay ex. ss Jalapalaka (EEC gift consignment) was defective as it con- tained lumps & flavour of prepared milk is not good.	Do.
7	Telegram dt. 9th Oct. '1975 from Bhopal Dairy	Dairy reported that out of 10 MT supplied ex. ss Jalapalaka (EEC gift were received in da- maged condition & 32 bags were unsuitable for human consump- tion as solid lumps were found.	Matter under investigation.
8	GM/GBMS/Stores dt. 29-10-75 from GBMS, * Bombay	GBMS reported that out of sound stocks suppli- ed to them ex. ss San Benito (Hungarian consignment), m. v. Guacore (Irish consig- ment) and as Indiar Strength (EEC gift con- signment), Worli & Aarey Dairies have rejected 15 MT on account of lumps.	GBMS informed that the stocks had remained in their godown for a long time. As such in absence or complaint about quality on receipt of con- signment subsequent rejec- tions may be treated Operational losses.

## APPENDIX V

### *Summary of Conclusions|Recommendations*

S. No.	Ref. to para No. in Report	Summary of conclusion/recommendation
(1)	(2)	(3)
1.	1.11	<p>The Committee were informed during evidence by the representative of Ministry of Agriculture and Irrigation that "by and large, the IDC has fulfilled the objectives for which it was set up . . in the direction of setting up the mother dairies, construction of feeder balancing dairies and improving or upgrading the animals in the areas adjacent to the operation flood areas and in seeing that the gift commodities were sent and sold to the concerned people. If these are taken in depth, I do not think these have been achieved and it will not be possible to achieve them in 20 years to come in a comprehensive manner". It has also been stated that "the objectives are so vast, in a country of this dimension, it will take us two or three generations to achieve the same by dint of hard work".</p> <p>The Committee apprehend that if such a leisurely view of the time factor for fulfilling the objectives as has been taken by the Ministry is taken by the Corporation and other authorities concerned, the implementation of the Project, which has already been delayed by two years may not be completed even by the end of June, 1977, as scheduled, and any further delay will not only affect the cost of implementation of the Project but will also cause a set back to the dairy development programmes in the country.</p>



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The Ministry should create a sense of urgency in all the agencies and authorities concerned with the implementation of the Project and take effective measures to remove the constraints in the way of its implementation so as to commission fully the Plants within the stipulated period i.e., by the end of June, 1977.

2.

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The Committee recommend that the Government should evaluate the performance of the Corporation as canalising agency for the import and distribution of SMP and see whether these activities are being carried out economically and efficiently. They would like the Government/ Corporation to assess the demand for SMP in the country *vis-a-vis* indigenous production very carefully and ensure that the imports are kept to the barest minimum and supplies are made only to genuine parties for genuine and essential purposes.

*Constraints/Difficulties*

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The Committee are surprised to note the conflicting statements made by the Corporation and the Ministry in regard to the help sought by the former from the Ministry to solve the difficulties arising out of lack of integrated services in certain States which acted as constraint on the progress of "Operation Flood". While the Corporation has stated that the difficulties experienced in this connection were brought to the notice of Government, the representative of the Ministry has stated that "We have not had any occasion of any suggestion or request from the Corporation to specifically intervene or help them in any manner concerning their activities in the States". The Committee are unhappy at this lack of close understanding and communication between the administrative Ministry and the Corporation. The Committee feel that, as the "Operation

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Flood" Project is time-bound and spread over as many as 10 States and 4 Metropolitan cities, it is the duty of the Ministry to contemporaneously monitor the progress of implementation of the Project and to ensure that the "Operation Flood" is implemented according to schedule and all problems with the concerned States are resolved at Government's level.

- 1.23 The Committee further recommend that the Government's representatives on the Board of the Corporation should be asked to act as eyes and ears of the Government and serve as the regular line of communication between the Ministry and the Corporation and if any problems affecting the progress of the project come to their notice, they should without any delay, bring them to the notice of the Ministry. The Ministry should not hesitate to take initiative to provide necessary help and assistance to the Corporation and if necessary take up the matter with the State Governments to resolve the problems and constraints in the interest of timely implementation of the Projects.

#### *Generation of Funds*

5. 2.22 & 2.23 The Committee note that under the "Operation Flood" projects, World Food Programme had agreed to supply free of cost by the 30th June, 1975, 1.26,000 MT of Skim Milk Powder (SMP) and 42,000 MT of Butter Oil (BO). The sale/transfer of these commodities to public sector dairies at the prices then fixed was expected to generate funds to the tune of Rs. 95.40 crores (which later went upto Rs. 116.40 crores as a result of increase in the transfer value). These funds were to be spent on milk marketing and dairy extension activities under the Project. The Committee find that during 1970-71 and 1971-72 the quantity of SMP received was 39 per cent

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and 67 per cent less than expected and that of BO 33 per cent and 75 per cent less than expected and of the quantities received, 20 per cent of SMP and 14 per cent of BO were rejected by IDC on the ground of sub-standard quality and packaging problems. During 1972-73 and 1973-74, there was a shortfall ranging between 70 per cent and 58 per cent in the case of SMP and BO. They are informed that this matter was taken up by the Government of India with the WFP authorities in November, 1973, and as a result of these efforts, the supplies were stepped up in the latter half of 1974 and during 1975. The Committee need hardly point out that if these shortfalls had been promptly brought to the notice of WFP authorities, a suitable solution could have been found much earlier and the implementation of the project would not have been so heavily delayed.

The Committee regret to note that on account of the inadequate inflow of WFP commodities in the first 3½ years and due to inadequate off-take of these commodities in the following 1½ years the actual generation of funds under the project was of the order of Rs. 46 crores (aprox.) upto the end of November, 1975 as against the original expectation of Rs. 95.40 crores and the revised estimate of Rs. 116.40 crores.

The Committee are informed that the project did not make progress according to schedule in the initial stages as no lead period was provided to prepare for taking up the programme and the Ministry/Corporation did not realise this before the commencement of the project. The Committee regret that the progress of the project which ultimately resulted in shortfall of funds was also due to delay in the receipt of imported equipment for the four city dairies, raising of

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		required infrastructure for expansion of the existing dairies and setting up of new dairies and establishment of machinery for coordination at state and city level.
6.	2.24	The Committee would like the Corporation to take stock of the loans granted to States and initiate action with the help of the Ministry to recover instalments of loans which have fallen due. The Committee would like to be informed of the developments in the matter.
7.	2.25	The Committee note that though the supply of gift materials has picked up now, it has become difficult for the Corporation to push larger quantities of gift materials in the market to generate more funds with the result that about 14,000 tonnes of SMP and 15,000 tonnes of BO, valued at over Rs. 20 crores are in stock with the IDC. The milk handling capacities of the existing four metropolitan cities have reached their limits and the new Mother Dairies (except Delhi and Bombay) have not yet been commissioned, and hence pushing larger quantities of SMP and BO through them has not been possible. The Committee stress that the Corporation/Ministry should review in detail the progress of developmental works connected with Dairies so as to speed them up. The Committee expect the administrative Ministry to take up matters directly with the State Governments where it is not possible to resolve the matters promptly at the level of the Corporation.
8.	2.26	While the Committee are happy at the improvement in the milk supply position within the country, they do not think milk markets all over the country have reached a saturation point, so as not to be able to absorb additional supplies of SMP and ghee. The Committee would like the Government/Corporation to study the supply

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position of milk and milk products in all the regions in consultation with the State authorities and find out a solution to the problem which should not only help the Corporation clear its stocks of SMP and BO and generate more funds for the speedier implementation of dairy development projects in the interest of the milk consumers but also safeguard the interests of milk producers.

9. 2.27  
&  
2.28

The Committee feel that the project could have made more satisfactory progress if lead period had been given, supplies of SMP and BO had been made by WFP authorities according to agreed schedule and substantial quantities of the supplies were not of sub-standard quality. As these factors, *inter alia*, resulted in the shortfall in the generation of funds in the initial stages, due to which the infra-structure for the use of donated commodities could not be established by the Corporation in time resulting in inadequate off-take of the donated commodities later on, the Committee have no doubt that the Government would be able to persuade the WFP authorities to extend the period of the project to enable the Corporation to utilise the full quantities of SMP and BO agreed to by them under the "Operation Flood".

The Committee are concerned to note that WFP authorities are demanding a commitment from Government that normal commercial imports should be maintained at the level of 20,000 MT of SMP per year. The Committee note that while imports of SMP varied between 12,000 to 17,000 tonnes from 1971-72 to 1974-75, there was no import in 1975-76. The purpose of the programme is to generate self-reliance in the matter of milk production in the country. The Committee have, therefore, no doubt that there is no

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question of entering into any commitment which would be counter-productive to this basic objective.

*"Operation Flood" Project—Plan of Operations*

10.        3.13        The Committee are informed that the schemes relating to Action Items Nos. 1 to 5, 8, and 9 are expected to be completed by June, 1977. From this the Committee are left with the impression that the other Action Items are not likely to be completed even by the end of the extended period of the Project. They have made observations on the progress made under individual Action Items in the subsequent sections of this chapter.

**MOTHER DAIRIES**

*Mother Dairy at Delhi*

11.        3.42        The Committee are informed that though the Corporation submitted the project report for the construction of the Mother Dairy at Delhi to the Ministry of Agriculture and the Planning Commission in July, 1971, the sanction of the Government was issued in August, 1972. The dairy which was to be completed in August, 1973 was actually completed and commissioned in December, 1974. The Committee regret to observe, there was no justification for the Government to take 13 months to issue sanction to the project which ultimately resulted in delaying the completion and commissioning of the dairy.

The Committee are informed that one of the reasons for the delay in commissioning was the inordinate delay in acquiring the site for the Dairy. There was also considerable delay in acquiring sites for the vending units because a number of agencies were involved in arriving at a decision in this regard. The Committee cannot appreciate the delay on the part of the Delhi

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(3) Development Authority and other bodies in acquiring/deciding sites for the Mother Dairy and the vending units. They feel that the Ministry should have come forward and used their influence with the local authorities to cut short the delay and helped the Corporaton/NDDDB in expediting the completion and commissioning of the dairy.

12. 3.43           The Committee are informed that according to  
and           the guidelines issued by the Department of Agri-  
3.44           culture areas in the walled city, the new colonies  
              that had come up in and around Delhi and the  
              areas where the Delhi Milk Scheme had not fully  
              satisfied the demand through its booths were  
              to be catered to first. They do not think that  
              all the areas of South Delhi, where most of the  
              61 booths set up by November, 1975 are located  
              satisfy the criteria laid down in the guidelines  
              issued to the NDDDB in this regard. They would  
              like to stress that the NDDDB/Corporation should  
              bear these guidelines in mind and set up booths  
              first in those areas which are at present not served  
              or inadequately served by the Delhi Milk  
              Scheme so that there is equitable distribution of  
              milk in all the parts of Delhi.

The Committee note that though sites have been selected by NDDDB/Corporation for new vending units in the walled city and J.J. Colonies, the clearance of the concerned Municipal authorities has not been received. They would like the NDDDB/Corporation to take up the matters with the Municipal and local authorities at the highest level and settle the matters expeditiously. They feel in such cases the Ministry should voluntarily lend full support to the IDC/NDDDB in getting prompt clearance for its proposals from the Municipal authorities. The Committee would like the Ministry/Corporation/NDDDB to impress upon the local authorities/

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DDA that provision of sites for milk booths in new localities which are being developed or which may be developed in future should be part of the integrated planning in the new colonies so that there are no delays as and when it becomes necessary to open booths there.

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The Committee need hardly stress that the working of machines and other equipment at each vending unit should be kept under continuous watch and, as and when any defect comes to notice, the Corporation/NDDDB should ensure that it is attended to promptly to avoid inconvenience to the consumers. They hope that the Corporation has made regular arrangements to check the quality of milk in the vending units before the commencement of sale to ensure that the milk dispensed is of the prescribed standard.

14.

3.46  
and  
3.47

The Committee are informed that a proposal for setting up a subsidiary of IDC to run the New Dairy (Delhi) has been submitted to the Government, but no decision has been taken in the matter so far.

The Committee regret that the decision as to which agency will ultimately run the New Dairy (Delhi) was not taken before the construction of the Dairy started so that the agency could have been associated with the Dairy right from the construction stage and made all arrangements to organise the retail sale of milk and finalise other arrangements well in time or at least before it was commissioned. It is all the more regrettable that the decision has not been taken even after one year of the commissioning of the Dairy.

The Committee need hardly point that now when there are two public sector dairies in Delhi, Government will have to take steps to avoid duplication of efforts and overlapping of func-

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tions, arrange judicious location of booths in all parts of the city and ensure equitable distribution of milk among all sections of people. They are of the opinion that one integrated organisation to manage and control the affairs of both the DMS and the Delhi Mother Dairy will not only go a long way in achieving these objectives, but will also make it possible for the Management to keep the overheads on staff and fuel costs on transportation low, guard against unwholesome **competition among milk producers** and give them a fair deal, achieve economies of scale and pass on the benefits of low costs to the consumers. The Committee stress that Government should not lose any more time in taking a decision on the structure of the integrated agency to run the two dairies in the larger interests of the consumers and producers. If, however, the two dairies have to remain as separate units for some time till the organisational structure of one integrated agency is finalised, the Committee would like the Government to make some suitable functional arrangements to bring together the heads of the two dairies so as to ensure coordination in their activities and integration in their planning during the interim period.

15.

3.48

The Committee recommend that the two dairies in Delhi should immediately conduct under, the guidance of the Ministry, a joint survey of the area-wise milk demand in all the parts of Delhi modality of distribution preferred by each locality and evolve a joint and long term strategy for setting up new or additional vending units/booths, consistent with their present capacity and future expansion so as to progressively cover all parts and all sections of the people of the city in a planned manner. They would stress that while setting up new milk booths the localities where economically weaker sections of society reside

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predominantly should receive prior attention and so long as there is price differential between the milk distributed by the two dairies, the opening of milk booths should be so planned that booths of cheaper milk are preferably opened in localities of economically weaker sections.

*Mother Dairies at Bombay, Madras and Calcutta*

16. 3.49      The Committee hope that the existing public  
and      sector dairies and the New Dairy in Bombay, Cal-  
3.50      cutta and Madras will also be advised to conduct  
joint surveys to plan an integrated approach in  
regard to the opening of new booths so as to  
ensure even distribution of booths and equitable  
supply of milk in all the localities. The Com-  
mittee need hardly point out that the manage-  
ment should not spare any efforts to ensure eco-  
nomic and efficient working of Delhi Mother  
Dairy and earn consumer satisfaction so that its  
success sets the pace for other dairies and pre-  
pares the base for future schemes to subserve the  
underlying objects of 'Operation Flood'.
17. 3.51      The Committee learn that the Kurla Dairy  
and      (Bombay) has been formally commissioned on  
3.52      9th February, 1976, and the Maharashtra Govern-  
ment propose to distribute milk through sachet  
packets (1 lakh litres), cans (1 lakh litres) and  
mobile tankers (2 lakh litres). The Committee  
will be interested to know about the experience  
of the working of this Dairy. The Committee are  
concerned to note the lack of agreement between  
the Maharashtra Government and the IDC in re-  
gard to the distribution modalities. They regret  
to observe that an important question like this  
was not finally settled before the commissioning  
of the Bombay Mother Dairy. They feel that in  
a situation like this, the Ministry should have  
intervened and taken initiative to resolve the  
problem well in time. They would like that at

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least now the Ministry should take up the matter with the State Government in the light of the Committee's observations in the subsequent section on "Distribution System" and resolve the problem so as to ensure efficient distribution of milk at most economic cost to the satisfaction of consumers.

The Committee find that cost estimates of Rs. 521.83 lakhs for the establishment of the Dairy incorporating the final decision of the Maharashtra Government with regard to distribution system are still awaited by the IDC. The Committee would like the Corporation to obtain the details of the cost estimates from the Maharashtra Government without further delay and finalise the matter expeditiously.

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3.53

The Committee note that the Mother Dairy at Madras which was expected to be commissioned during August-September, 1975, has not been commissioned so far though the trial runs have been started from December, 1975. The Committee suggest that Corporation should take all measures in consultation with the State agencies and local authorities to ensure that there is no further delay in commissioning the Mother Dairy.

19

3.54

and

3.55

The Committee are informed that the Calcutta Mother Dairy was expected to be commissioned by June 1976 but now the Dairy will be completed by later half of 1976. The Committee are unhappy to note that there will be slippage in the completing and commissioning of the Mother Dairy. They stress that the Corporation/Government should take stock of the position, in consultation with the State Government and local authorities, take concerted and concrete measures in the light of their experience in other Metropolitan cities so as to ensure that the Calcutta Mother Dairy is commissioned without avoidable delay.

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The Committee are greatly disturbed to find that even though the construction of Madras and Calcutta Mother Dairies has reached the final stage, final decision regarding the modalities of distribution of milk of these dairies has not been taken so far.

They need hardly point out that delay in taking timely decision in this important matter is sure to reflect on the timely commissioning of the respective Dairies. They recommend that the distribution modalities should be decided without any further delay, at least well before the commissioning of the dairies in these places. The Committee have made detailed observations in this respect in a subsequent section.

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and  
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The Committee have no doubt that the Corporation/NDDDB and the Management of the New Dairies in the four Metropolitan cities keep in mind their responsibilities to develop milk sheds in the hinterland and will make continuous efforts in that direction so that as the demand grows, they can procure larger supplies of milk to meet the local demand. They would suggest that constant watch should be kept on the demand and supply of milk in these cities so as to ensure that supply matches the expanding demand, and not only the producers get fair price for their milk but the consumers also receive milk of good quality at competitive price. The Committee would like the demand and supply of milk, pricing and the opening of milk booths to be suitably reflected in the Annual Report of the Corporation.

The Committee need hardly point out the need for a close and continuous cooperation between the existing dairies and the new dairies in Bombay, Calcutta and Madras so as to ensure that there is fair and equitable distribution of milk in all parts of the cities and amongst all

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sections of the people. Particularly the economically weaker sections of society. They have no doubt that some sort of institutional arrangement will be made to bring about close coordination between the existing dairies and the new dairies in Bombay, Calcutta and Madras to avoid duplication of efforts and overlapping of functions in the interest of their efficient and economic working. The Committee would like to invite attention to their observations made in regard to Delhi Mother Dairy in paras 3.47 to 3.49 and hope that these observations will be kept in mind while commissioning and running the Mother Dairies and setting up vending units in Bombay, Calcutta and Madras.

21	3.58	The Committee would like that the working results of the Mother Dairies in Delhi, Bombay, Calcutta and Madras should be maintained separately so as to enable the Government and the management to keep a watch on its economics and profitability and take remedial measures as and when necessary.
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#### DISTRIBUTION SYSTEMS

##### *Bulk Vending System*

22	3.78 and 3.79	The Committee note that the Corporation decided to introduce bulk vending system in Delhi which is stated to have many advantages. The Committee note that the representative of the Ministry of Finance was rather sceptic about the success of bulk vending system in Indian conditions and he also pointed out during evidence that these machines required some standard of maintenance and handling which, in this country at this stage of development, might not be possible. The Committee seen reason why a machine which has been manufactured in India, cannot be maintained by Indian engineers in working condition.
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The Committee are informed that the bulk vending system was first tried in Mexico but had not succeeded there. They learn that an Experts Committee is to assess the economics and utility of bulk vending booths after atleast 100 booths are commissioned. In view of the reported failure of the system in Mexico and the reservations about its success in India expressed by the Ministry of Finance, the Committee would like the Experts Committee to undertake a techno-economic study of the bulk vending units without delay and submit its report within three months of the presentation of this Report so that the Government/Corporation may be able to take a decision about the continuance or otherwise of the bulk vending system before it is too late. They would like the Experts Committee to find out as to why the system has not succeeded in Mexico and who preventive measures have been or should be taken to ensure that the system does not fail in India.

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and  
3.81

The Committee note that DMS is working at a loss and the loss has been of the order of Rs. 181 lakhs in 1973-74 and Rs. 293 lakhs in 1974-75. They are distressed to note that, on the one hand DMS is itself incurring heavy losses from year to year and on the other hand its pricing policy is having an adverse effect on the economic working of the bulk vending system of IDC. The Committee would like the Ministry to go into this matter critically and see how the economic viability of bulk vending system can be ensured in the circumstances prevailing in Delhi.

The Committee also like the Experts Committee/Ministry to consider measures to ensure that the working of both the dairies is made complementary to each other in the larger interest of the consumers and the economic viability of both the dairies.

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24	3.82	<p>The Committee recommend that the NDDB should finalise expeditiously the design of pre-fabricated modules of light structure as recommended by the Second Inter Agency Evaluation Mission, which should not only be easier in construction but also simpler in mechanism and operation so that the new booths, which are yet to be set up, can be constructed speedily and maintained easily.</p>
25	3.83	<p>The Committee are informed that the Corporation has introduced in Bombay mobile tankers which go to various localities and deliver milk at different timings. The Committee would like the NDDB/Corporation to consider the feasibility of designing smaller bulk vending units which are not only tamper-proof and are able to retain the milk in good condition for a reasonable period, but can also be mounted on push carts or cycle-drawn carts and can be used like ice-cream trolleys for sale of milk at the door steps in localities where there may be demand for such a service.</p>
26	3.84 and 3.85	<p>The Committee note that Tetrapak, Satchet, bottling, bulk vending in machines and bulk vending in cans represent different methods of milk distribution having different degrees of cost effectiveness. The Committee do not agree with the Ministry of Agriculture that it is too early to make an assessment of relative merits and demerits of each system. On the contrary, they feel, that the Government/Corporation should have started considering this question seriously immediately after signing the Agreement with the United Nations/FAO, World Food Programme and the merits and demerits of the various systems should have been assessed on a pilot scale in collaboration with DMS and other existing public sector dairies and a decision taken in the light of the pilot studies well before the commissioning of the Mother Dairies. If the distribution systems for the cities of Delhi and Bombay, where the</p>

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Mother Dairies have already been commissioned, have been decided without such a comparative assessment, the Committee cannot but express their deep concern at the wrong approach to the problem.

The Committee recommend that Government/ Corporation should immediately go into the economics and operational efficiency of the various distribution system and determine their merits and demerits with reference to each of the four cities, viz., Bombay, Calcutta, Delhi and Madras, which are to be served by the Mother Dairies. They would like the Government to examine whether, instead of introducing one flat system of distribution in the whole of a city, it would not be better to introduce different systems in different parts of the city after taking into account the over-all preference of the people of each locality, the lay-out of the locality, operational expenses and efficiency and other relevant factors. They need hardly point out that whatever system is chosen for any locality, it should be operable at the maximum of efficiency with the minimum of overheads so that milk of good quality may become available to the common man at the most competitive prices without subjecting the Mother Dairies to any loss in the process.

#### *Tetrapak*

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and  
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The Committee note that the IDC had approached the Ministry of Industrial Development for a Letter of Intent for setting up a unit for manufacture of Tetrapak paper and for approval of foreign collaboration proposal with a view to market milk in Tetrapak also alongwith other systems. The Ministry note that the Ministry of Agriculture have decided to drop the proposal.

The Committee note, that the Corporation has approached the Ministry again in 1975 to reconsider its proposal to purchase Tetrapak machines, set up laminating plant and make country self-



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sufficient in this field. The Committee feel that the IDC's proposal to market Tetrapak milk, alongwith other systems of marketing milk, which, it is stated, will increase the shelf life of milk and open city markets all over the country to the rurally produced milk, deserves a second look. They suggest that the proposal may be studied again in depth and its economies, utility and consumer acceptability evaluated with a view to arriving at an early decision in the long range and larger interest of producers and consumers of milk.

#### BUILDING UP OF MILK PRODUCERS' ORGANISATIONS

##### *Action Item No. 9*

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| 28 | 3.111 | The Committee note that Action Item No. 9 provides for the building up of milk producers' organisation for milk procurement, processing and marketing and for marketing of inputs for milk production enhancement. This Item is under the direct investment of IDC. " |
|    | 3.112 |   |
|    | 3.113 |   |
|    | 3.114 |   |

The Committee note that it was in May 1974, i.e. four years after the commencement of the "Operation Flood", when it was decided as a policy of the Government in the conference of State Secretaries of Agriculture, Directors of Animal Husbandry and Milk Commissioners that farmers' cooperative organisations should be the exclusive agency for collecting of rurally produced milk and that the rural dairy plant and other infra-structure must be owned and operated by them.

The Committee are informed by the Corporation that the proposal for treating the Action Item regarding setting up of milk producers organisations in the States as direct expenditure of IDC, was sanctioned by Government only in the 3rd year of the project and this greatly delayed the project's impact on the milk-sheds.

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The Ministry have stated that the proposal that expenditure on Action Item No. 9 should be allowed as direct expenditure (100 per cent grant) to ensure speedier implementation of this programme was received from the Corporation in April 1972 and approved in May, 1973.

From all this, the Committee are constrained to conclude that the Government/Corporation did not attach, in the beginning, due importance and urgency to the establishment of milk producers' cooperative organisations in the milk sheds on 'Anand' pattern which are stated to be of fundamental and vital importance for achievement of the project's social and economic objectives; as they see no reason why the Corporation took two years to decide about the financing pattern for this programme and the Government over one year to accord approval to it. They also regret to note that Government took nearly four years to arrive at a policy decision urging the States to set up farmers' cooperatives and transfer the ownership of feed-balancing dairies, etc., to them.

The Committee feel that as the Corporation alone could not be expected to bring round the participating States to agree to the 'Anand' pattern of cooperative societies which was an entirely new concept for them, Government should have taken active interest in this programme right from the beginning and offered their good offices and used their influence to overcome resistance in the States to the new style of cooperative in order to ensure accelerated progress of this programme of vital importance. The Committee would like the delays in regard to the implementation of this programme at the level of the Corporation and the Ministry to be critically analysed, and lessons learnt.

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29	3.115 3.116	<p>The Committee recommend that the Government/Corporation may immediately take stock of the situation in each participating State, identify the States which have either not fully accepted the pre-requisites for the working of the Cooperatives or which having accepted the pre-requisites in principle have not implemented them in actual practice, and take up the matter with such States at the highest level with a view to dispelling their misgivings, if any, in this regard and persuading them to fall in line with other States so as to ensure speedier implementation of this Action Item (No. 9).</p> <p>The Committee also recommend that the Corporation/Government should, in consultation with the State authorities, critically analyse the reasons for slow rate of progress in the setting up of the farmers cooperatives find positive solutions to the difficulties standing in the way of setting up such societies draw out time-bound programme for each State and depute Spearlead Teams without delay to the States concerned to set up the Cooperative societies according to schedule. The Committee would like that all possible steps should be taken to ensure that there is no further slippage in the setting up of the farmers' Cooperative societies.</p>
30	3.117	<p>The Committee hope that the Corporation has taken all possible steps to synchronise the development of milk producers cooperatives and the unions with the commissioning of the feeder-balancing dairies in all the milk sheds so as to ensure that the feeder-balancing dairies can become viable.</p>
31	3.118 3.119	<p>The Committee cannot over emphasize the importance of replicating 'Anand' pattern of cooperatives in the participating States as only such cooperatives are truly representatives of the farmers' interests and can bring about whole</p>

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hearted involvement of the producers from grass-root level upwards which is absolutely essential for the success of the project. They would like that Corporation should ensure participative management of the cooperatives by farmers right from the beginning, and spare no efforts to help the cooperatives to become self-reliant within a definite period of time and to generate funds for further developmental programmes in the interest of the farmers. They would stress that as soon as the cooperatives become viable and from unions, the responsibility for the management of the feeder-balancing dairies, cattle-feed plants etc., should devolve on the cooperative unions and, where any state shows reluctance in following the "Anand" pattern in this regard, the Central Government should use their good offices and persuade the state concerned to implement the "Anand" pattern in letter and spirit in the interest of the success of the scheme.

The Committee would like the feeder-balancing dairies to procure milk directly from the farmers through their cooperatives and not resort to procurement of milk through middle men/contractors as, if once the procurement is started through contractors even to fill a gap the system is likely to get perpetuated as has been seen in the case of D.M.S.

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3.120

They would like that the Corporation should keep a close and regular watch on the working of the primary cooperatives and the unions and if ever any of the societies or unions shows any signs of "sickness", the Corporation should take prompt and positive measures, in consultation with the State authorities, if necessary, to remedy the situation so as to save the farmer/members of the cooperatives from suffering any loss.

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3.121

The Committee are informed that the annual report of the IDC mentions in detail all the

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problems faced by the Corporation in the implementation of the projects and these are submitted to the Government annually. They feel that this is too routine an approach in dealing with the problems that are bound to crop up in implementing the "Operation Flood" and hold up its progress. The Committee are of the opinion that the Corporation should not wait till the end of the year to bring its problems and difficulties to the notice of the Government. It should keep the Government concurrently informed of the actual progress of each project and also the constraints faced by it in achieving satisfactory results and if it is not possible for it to overcome the constraints promptly on its own, the Corporation should seek the help and guidance of the Government without delay in the interest of speedier implementation of the project.

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3.122

The Committee are informed by the Corporation that the amount provided in the project for Action No. 9 organisation of rural procurement of milk is inadequate and there will be need for additional funds. The IDC's proposal for increase in allocation from Rs. 180 lakhs to Rs. 260 lakhs for this programme is stated to be under the consideration of the Ministry. As the setting up of the farmers' cooperatives is central to the whole scheme of organisation of rural milk, the Committee would like the Government to examine critically the IDC's proposal for increased funds for this work expeditiously and communicate their decision to the Corporation without avoidable delay. They feel that the progress of this programme should not be allowed to suffer or lose momentum for lack of funds. They would, however, like the Corporation/Government to make sure that the funds are spent on the programme judiciously to produce positive results.

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35	3.123	<p>The Committee have gathered an impression that while the IDC has been able to make appreciable progress in the matter of setting up of mother dairies under the "Operation Flood", there has not been corresponding progress in the matter of development of basic infra-structure for raising the milk output in the milk sheds in the country side. The setting up of Farmers' Cooperative Unions is lagging behind as also the programme for upgrading the milch cattle and making available the requisite inputs like balanced feeds at competitive rates to the farmers and the setting up of feeder plant dairies etc. to provide an assured nodal point for collection and treatment of milk. The Committee feel that the Corporation with its expertise and experience of Mahsana and Kaira districts, should concentrate its energies and resources to help develop milk production, particularly by small and marginal farmers, so as to achieve the twin objective of raising the milk output to meet the growing requirements and betterment of the economic lot of the common milk producer in the country side. It is only if the problem is tackled at the grass root level and the marginal and small milk producers in the country side feel involved in the programme and see the economic results flowing back to them that the "Operation Flood" would become a self-sustaining, self-developing and onward going movement.</p>

*Subsidiary Corporation for Dairy Equipment and Machinery*

36	3.133 and 3.134	<p>The Committee are informed that the IDC sent a proposal to the Ministry for setting up a subsidiary corporation for the manufacture of dairy equipment as far back as June, 1973 and subsequently a feasibility report for the project was also sent to the Ministry in September, 1975. It has been stated that the matter is still under consideration of the Government. The Commit-</p>
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tee find that in the mean-time the Corporation approached the Ministry of Industrial Development in April, 1975 for a letter of intent (which was received by them in July, 1975) and also applied for foreign collaboration with GDR in July, 1975 for which also a letter of intent had been received by them in December, 1975. Although it has been admitted that the matter is still under consideration of Government and taking up manufacture of dairy machinery directly by the Corporation would require an amendment to the Memorandum and Articles of Association, the Committee are surprised that the Corporation was allowed to go ahead with taking up manufacturing activities of dairy plant and equipment by seeking foreign collaboration.

The Committee would like Government to keep the present and future demands of dairy plant and equipment in view and examine whether there is any justification for setting up a subsidiary Corporation for the manufacture of dairy equipment and whether such demand could not be met by better utilisation of the capacity already available in the country and with public sector engineering units like HMT, HEC, MAMC, BHEL etc.

The Committee need hardly stress that which ever unit is entrusted with the responsibility of manufacturing dairy equipment Government/ Corporation should ensure that there is a close coordination between the manufacturing unit and the Corporation.

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and  
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The Committee note that the Corporation proposes to set up a subsidiary organisation for manufacture of foot-and-mouth disease vaccine and of antigens such as Tuberculin, Johnin and Brucella, with financial and technical assistance from UK Government.

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The Committee would like Government to examine whether the Foot and Mouth vaccine already being produced in the country is of the prescribed standard and whether its production in the existing units cannot be augmented to meet the present and the future demand, before going in for foreign collaboration for installation of additional capacity.

The Committee would also like Government to critically examine the feasibility and the economic viability of the proposal of setting up a separate plant for manufacture of immunological and biological veterinary products in consultation with expert bodies like the ICAR and explore the possibility of manufacture of the plants by utilising the indigenous capacity available in the country in the Public Sector.

*Storage Arrangements*

*Action Item No. 3*

38

3.146

The Committee would like the Corporation to keep a constant watch on the storage arrangements for SMP and BO and take all possible steps to ensure that the storage arrangements in warehouses are secure and these commodities do not suffer deterioration while in storage there.

*Milk collection and chilling centres and Feeder/Balancing Milk Plants*

*Action Item Nos. 4 and 5*

39

3.152

The Committee note that under "Operation Flood" seven feeder/balancing dairies are being expanded and 13 new feeder/balancing dairies are being set up in the 10 participating States. They are informed that due to difficulties experienced by States in taking over sites, procurement of steel and cement, and delays in taking final decision by the States, the feeder/balancing dairies in certain cases could not be completed as fast as was contemplated. In view of the



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slow progress of these works despite the Corporation's efforts, the Committee would like that the matter should be taken up by the Ministry with the State Governments concerned at a high level and the States persuaded to expedite action in this regard to avoid any further delay in the completion of the Project. The Committee would also like that the Ministry should render assistance to the Corporation in the procurement of Steel and Cement on a priority basis to ensure that progress of the projects is not delayed due to want of essential construction materials.

*Resettlement of City..Cattle—Action Item No. 6*

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and

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The Committee note that the progress on Action Item No. 6, namely, resettlement of city kept cattle and buffaloes could not be taken up actively for implementation. The Committee find that the pilot project started in Maharashtra in 1974 and on which expenditure of Rs. 8.73 lakhs was incurred has not brought about satisfactory results in Bombay. The Committee would like the Ministry/Corporation to go critically into the causes for the poor results in Maharashtra with a view to drawing lessons for future.

The Committee are informed that Government propose to take up the matter of resettlement of city kept cattle with the State Governments with a view to ensure early implementation of this Action Item. The Committee would like to be informed of the developments in the matter.

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3.162

The Committee would like the Ministry to persuade the State Governments to see that the other phases of the project are completed in time so that action on this item is not unduly delayed. The Committee need hardly point out that the removal of city kept cattle to rural areas before ensuring adequate supplies of milk

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through organised dairies to meet the demands of the cities may well create (avoidable) difficulties for the common man. There appears to be no reason why such a position should be allowed to come to pass. They have no doubt that as the organised dairies secure commanding share of the milk markets in the four cities, the traditional milk traders who depend on the city kept cattle will automatically feel the economic pressure and this will hasten the end of the practice of city cattle keeping. The Committee would like the Corporation/ Ministry to keep the position under watch in the four cities and ensure that the city administrations initiate necessary action in this regard at the appropriate time.

**Increasing milk production by provision of technical inputs—**

**Action Item No. 7**

42

3.175

The Committee note that as against a total allocation of Rs. 2691 lakhs against the Action Item No. 7, the expenditure has been of the order of Rs. 502 lakhs only. The Ministry have admitted that the progress on this item has been slow. The Committee are informed that a total of 14 lakhs breedable milch cows and 7 lakh buffaloes, are to be covered under the milk production enhancement programme, and out of this approximately 5,00,000 animals have been covered so far and further progress depends on the speed at which cooperative unions can be established and developed. As recommended in para 3.116 of this report, they would reiterate that the Ministry/Corporation should take concerted measures to take up the matter with the State Governments to accelerate the organisation of cooperative unions in the States in order to give a fillup to this programme.

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| 43  | 3.176 | <p>The Committee feel that the identification and coverage of animals under the milk production enhancement programme have to be speeded up to enable the organised dairies to capture commanding share of the milk markets in the cities. They recommend that the Corporation should draw up a time-bound programme to identify and cover the remaining 16 lakh animals under the milk production enhancement programme, take concerted measures in collaboration with the State agencies and ensure completion of the programme during the extended period of the project "Operation Flood". The Committee stress that the Ministry should expedite the matter and ensure that the work of development of semen freezing stations in different parts of the country is completed before the imported cattle arrive.</p>   |
| 44  | 3.177 | <p>The Committee are informed that, from the experience at Anand and Mehsana, the cost of cattle feed and other inputs provided through the cooperative unions is much lower than those of inputs of the same quality handled through private sector. The Committee recommend that in the light of experience of Anand, Mehsana etc. an appropriate pattern for production and distribution of cattle feed and other inputs at economic cost to the members of the cooperatives should be evolved and implemented. The Committee are informed that milk production can be increased to the extent of approximately 50 per cent by feeding balanced ration even to poor grade indigenous rural cows and in the case of cross-breed cows, the role of cattle feed is still more important. In view of this, the Committee cannot over-emphasize the importance of commissioning all the proposed cattle feed plants expeditiously. They would stress that the Corporation should take up this matter with the state agencies at the highest level, help them formu-</p> |
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late proposals where these have not yet been formulated, and take all possible measures to speed up the construction and commissioning of the cattle feed plants according to a time-bound programme so that balanced feed is available to the cattle and production of milk is enhanced.

*Development of Improved milk animals—*

*Action Item No. 8*

45        3.190        The Committee note that as part of its plan for development of improved milch animals (Action Item No. 8), IDC established 12 Bull Mother Farms during 1973 in the participating States.

The Committee would like the Corporation to analyse the reasons as to why the Farms in Andhra Pradesh and Bihar have not attained viability and take suitable remedial measures in consultation with the State agencies to help them become viable at the earliest. They would like the Corporation to keep a watch on the working of other farms and also take timely measures to ensure their economic and efficient working.

46        3.191        The Committee note that the number of the  
          and        imported animals at the Farms in Lucknow,  
          3.192        Patna, West Bengal, Hyderabad and Anand has  
                     declined and this is stated to be *inter alia* due  
                     to premature mortality arising on account of  
                     food and mouth disease and Theileriasis so far  
                     42 animals are reported to have died on this ac-  
                     count in all the States. They are distressed to  
                     learn that though Theileriasis is a problem for  
                     exotic breeds, no vaccine against this disease is  
                     available in India. The Committee would like  
                     the Corporation/Ministry to urgently get in touch

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with the countries from where the animals are being imported to obtain expert opinion about the prophylactic and remedial measures against Theileriasis and take all possible steps to have adequate stock of the medicine in order to save the imported animals from this disease. The Committee also suggest that the Ministry should examine the feasibility of manufacturing this important drug within the country instead of having to import it every time. The Committee would also like the Corporation to analyse each case of premature death of imported animal to make sure that such mortality is not due to any negligence on the part of the management concerned and initiate effective remedial measures where required.

47            3.193

The Committee note that IDC proposes to import 200 cows of Jersey/Friesian breed with assistance from the Danish International Development Agency (DANIDA) which has since agreed to provide about 80—85 heifers for the Bull Mother Farms at Ooty, Coonoor, Hyderabad and Bassi and that Government are negotiating with DANIDA the final arrangements for supply of 85 heifers. The Committee are informed that the need for obtaining heifers/cows from abroad will be reduced as more and more heifers will be raised in the farms. The Committee would like self-reliance to be developed in this important field at the earliest.

*Action Item No. 10*

48            3.203

The Committee note that the National Dairy Development Board (NDDB) has conducted "demand" studies in Delhi, Bombay and Madras and "supply" studies in the States (excluding West Bengal) wherein lie the cities hinterland milk sheds. The reports for Calcutta and West

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- Bengal are under finalisation. The Committee suggest that these "demand" and "supply" studies may be updated from time to time so as to facilitate action to balance the demand with supplies.
- 49            3.204            The Committee are informed that facilities have been created at the NDDB for training personnel at all levels sent from the participating States and a training centre has been established to develop technical manpower in the field of artificial insemination. They would like the Corporation|NDDB to draw up a perspective plan of the manpower requirements and arrange the training programmes in such a way that adequate number of trained personnel of all categories become available to man the expanding activities at the appropriate time. There should be a close liaison with the State authorities and dairies in the field so as to ensure that the curriculum and contents of the training programme subserve the objective.
- 50            3.205            The Committee suggest that the Corporation|  
&            NDDB should develop the Management Informa-  
3.206            tion System on scientific lines on various aspects of working of the projects under Operation Flood not only to monitor the activities in the interest of efficient working of the dairy plants but also to feed the producers and feeder/balancing dairies with all the relevant information to enable them to organise their operations economically and efficiently and thus achieve the social objective of the project. The IDC|NDDB may help devise a system of meaningful reporting from the plant level to management which would enable the latter to keep a contemporaneous watch on the functioning of the Unit and take timely remedial measures in the interest of improving efficiency and effecting economies.

*UNICEF*

- 51            4.17            The Committee note that under the agreement with UNICEF, Government have sanctioned
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“Special Nutrition Programme” under which double toned milk is distributed to pre-school children at 8 ozs. per day per child free of charge. The scheme has so far been introduced in Bombay, Calcutta, Delhi, Madras, Ahmedabad, Baroda and Surat in which over 1½ lakh children are given milk under the programme. The Committee are not happy at the slow progress of the programme which has so far been introduced only in 7 cities whereas it was contemplated to be introduced in 20 cities. They would like the Government to identify other places for being brought under this programme and extend this programme to those places expeditiously. They feel that the Government need not confine this programme only to the big cities as has been done so far.

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According to the Ministry, the extension of this programme and to place it on a permanent footing would depend largely on the extent to which financial resources can be found by the State Governments to meet the difference between the cost of production and the sale price of double toned milk. The matter is stated to be under consideration. The Committee feel that having started this programme of supplying milk to vulnerable groups free of charge it will be disappointing if it is curtailed or terminated on the ground of lack of resources. They would stress that Government should, in consultation with the States, make all out efforts to find ways and means of not only continuing this wholesome programme but also extending it to other areas in the interest of really needy and deserving members of vulnerable sections of society.

The Committee would also like Government to ensure that any use of milk in social welfare scheme should be such as not to result in a loss to the milk plants.

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*National Milk Grid*

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5.11

The Committee note that IDC has taken a number of steps to initiate a National Milk Grid Scheme consisting of four regional grids to remove regional imbalances and to eliminate the country's dependence on imports for keeping up supply of fluid milk in cities.

The Committee feel that the National Milk Grid Scheme will, if properly implemented, be in the overall interest of the country as a whole and will help the producers in surplus areas to find markets for their surplus milk and remove scarcity of milk in the deficit areas. The Committee need hardly point out that if the tempo of development and production of milk in surplus areas is to be sustained it is imperative that the supply of milk from surplus to deficit areas should be maintained on an assured basis. As pointed out by the Inter-Agency Evaluation Mission the regional grids will need least-cost inter-connections to help ensure balanced supplies at equitable prices throughout the National Grid. The Committee stress that the network of storage and transportation facilities should be operated at most economic costs, so as to minimise the overhead expenditure.

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The Committee would like the Corporation| Government to evaluate the experience of the regional milk grid operating in Gujarat and draw up guidelines in the light of this experience for the extension of the grid to national level.

The Committee feel that it will be necessary to have one Central authority (which can be IDC) which can be made responsible for developing and ensuring efficient functioning of the National Milk Grid. They also feel that the administrative Ministry would have to take interest in the implementation of the scheme and give purposive lead to resolve the problems of coordina-



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tion with the state authorities and also with the Central authorities concerned with the movement of milk by rail. The Committee recommend that before implementing the scheme the proposed Central authority and the administrative Ministry should, in consultation with the States concerned, make arrangements for gathering market intelligence in deficit regions regarding the quantity, quality and price of milk and milk products required there and feeding it back to the surplus regions so that the surplus regions can plan out their production and pricing strategy to suit the needs of consumption in deficit regions. Keeping the overall position of demand and supply, the Central authority should work out the techno-economics of the movement of rail and road tankers so as to ensure the quickest transportation of milk at most economic cost. It should organise its operations in such a way that the scheme is on the whole economically viable and achieves the object of ensuring balanced supplies of milk, at equitable prices both to the producers and consumers throughout the National Milk Grid.

The Committee note that standardisation of plants for dairies would facilitate the setting up of National-regional milk grid and also cut down costs on maintenance of the dairies and facilitate inventory control. The Committee would like Indian Dairy Corporation to take a lead in this behalf so that the new dairy units which come up in the country conform to the prescribed standards right from the inception.

#### *Future Plans*

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The Committee note that according to the draft Fifth Five Year Plan document, there is a significant gap between the installed capacity of the existing milk plants and their utilisation levels even in the flush season. The gap it is stated, was due partly to milk sheds of the

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plants not being well defined with the result that private milk product manufacturers drew substantial quantities of milk from the common areas of milk availability by payment of higher prices both in the flush and lean season at the expense of city milk plants.

The Committee need hardly stress that the Government should keep foremost in view the interests of producers and consumers of milk in natural form while considering applications from the private sector for manufacture of milk based products. The Committee feel that if the farmers' cooperatives are set up and their linkage with feeder/balancing dairies is established under the "Operation Flood" expeditiously and the producers start getting remunerative prices and other benefits under the project, the difficulties experienced by the city milk plants in attracting adequate supplies of milk would disappear to a considerable extent.

#### *Fifth Plan Proposals*

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The Committee are informed that the Planning Commission has fixed a ceiling of Rs. 115 crores for milk marketing and dairy development projects to be undertaken by IDC during the Fifth Five Year Plan, of which Rs. 45 crores are for new schemes and Rs. 70 crores for meeting expenditure on the first round of "Operation Flood". No funds are reported to have been sanctioned for the new schemes during 1974-75 and 1975-76.

The Committee would urge that Government should arrange for timely release of Plan funds for the dairy development programmes so that the momentum which these programmes have gained under the "Operation Flood" is not retarded or lost and the gains of the projects already initiated are not only consolidated but also extended to hitherto uncovered regions in the country. The Committee expect that the

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Union Government will persuade the State Governments to render all assistance to the Corporation in implementing its projects so that the objectives of the project could be realised at the earliest.

The Committee stress that the Government/Corporation should keep a close watch to see that the benefits of the scheme reach the small and marginal farmer and make for his active and willing participation in the task of economic betterment of the economically weaker sections of the society.

57	6.21	<p>The Committee would like the Corporation/Government to consider the feasibility of extending the concept of Mother Dairies with the necessary infrastructure to other large cities in due course so that the gains of "White revolution" are spread to the people living in large cities all over the country.</p>
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*Quality Control*

58	7.21	<p>The Committee note that during the first year (1970-71) out of the 9300 MT of SMP and 3100 MT of BO despatched by WFP, the Corporation could accept only 6275 MT of SMP and 2292 MT of BO and the balance (32% of SMP and 26% of BO) was rejected on grounds of unsatisfactory quality and packaging. Similarly during 1971-72 out of 9890 MT SMP received, 10% of SMP had to be rejected. The matter was taken up with the WFP authorities and the supplies received subsequently were more satisfactory. The Committee stress that the Corporation should continue to exercise utmost vigil on the quality of SMP and BO received under the WFP programme etc. and should not compromise on standards in any manner.</p>
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59	7.22 & 7.23	<p>The Committee are surprised to note that even though IDC exercises check on quality of WFP commodities supplied to the city dairies for re-</p>
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combination, there have been some complaints about the quality of these commodities issued to Milk Schemes importance of conducting thorough tests to check the quality of SMP and BO not only at the time of receipt of supplies from abroad but also before issue to Milk Schemes and the allottees. They would like the Corporation to review the present mechanism and procedures laid down for testing the quality of these commodities, take all precautions to avoid any deterioration in quality during storage and ensure by all possible means that only such commodities as satisfy the prescribed standards of quality are released for human consumption.

The Committee would also like that the quality control cells in all the dairies and plants set up under the "Operation Flood" should be independent of Production Department and answerable directly to the top management so that high standards of quality could be maintained.

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The Committee are informed that it was possible that the milk powder got deteriorated at the State level in their dairies for want of proper storing arrangements. They are also informed that if the recombination of SMP and BO is not done properly, then also the quality suffers. The Committee recommend that the Corporation should lay down guidelines for proper storage and proper recombination of SMP and BO by the Mother Dairies and ensure by close follow up action that the guidelines are followed by the dairies.

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7.25

The Committee were informed during evidence of IDC that some quantity of rejected SMP and BO got passed on to certain other state dairies even after the Corporation had written to the Government that the rejected stuff should not be allowed as food to human beings once the

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Corporation had already rejected it. The Committee recommend that this matter may be investigated by the Government with a view to fixing responsibility and ensuring that such a lapse would not recur. The Committee should be informed of the outcome of the investigation.

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The Committee are informed that out of the commodities accepted by the Corporation for project use, 566 tonnes of SMP and 155 tonnes of BO were subsequently found unsuitable for recombination into liquid milk. The Committee are not sure whether the quality tests conducted at the time of their receipt from abroad were thorough.

The Committee find that both the Corporation and the WFP authorities, considered certain quantities of "damaged commodities" suitable for human consumption and disposed them for use by human beings. They cannot over-emphasise the importance of conducting a fool-proof check on such "damaged commodities", before desposing them of for human consumption. The Committee would like the Government to lay down suitable standards in this regard and take positive steps to ensure that only such SMP and BO is released for human consumption as is absolutely safe and will have no adverse effect on the health of the people.

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7.28

The Committee are also informed that the SMP and BO which were not considered suitable for human consumption, were disposed of by WFP authorities and the Corporation for manufacture of caseine and animal feed etc. They feel that the possibility of such stuff being subsequently diverted for human consumption by unscrupulous elements cannot be completely ruled out. The Committee recommend that either the Government Corporation should take measures to see that the stuff which is not con-

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sidered suitable for human consumption is used solely for the manufacture of caseine and animal feed under the direct supervision of Government Corporation authorities or that there should be built in safeguards in the procedure for the disposal of such stuff in such a manner that it can under no circumstances get diverted to human consumption. The Committee need hardly point out that a mere certificate from the buyer of such a stuff that he will not use it for human consumption is not adequate and should not create any complacency in the Ministry or Corporation in this regard.

*Imports of SMP & BO*

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8.15  
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8.16

The Committee note that Indian Dairy Corporation has been designated by the Government as canalisation agent for import and distribution of skim milk powder on a commercial basis. The Corporation has stated that the existing procedure to import SMP results in delay and diffusion of responsibility and authority and if the Corporation has to function properly and effectively as the canalisation agency, such matters as purchase of SMP and its distribution should be left to the IDC to be worked out on the basis of the broad guidelines issued by the Government.

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8.17  
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8.18

The Committee are glad to note that there will be no commercial import of SMP during 1975-76, due to improvement in milk supply position and availability of indigenously produced SMP. The Committee have no doubt that, as stated by the Corporation, as more and more feeder balancing dairies are commissioned, it should be possible to convert seasonal surpluses of milk into SMP and butter to meet the shortfall during the lean seasons and this should reduce the need for import of SMP. The Committee need hardly stress the need to achieve self-sufficiency in this sphere and urge that the Corpora-

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tion/Government should accelerate the progress of various works under the project "Operation Flood" so as to achieve this objective at the earliest.

As already recommended in the Committee reiterate that Government should evaluate the performance of the Corporation as canalising agency to ensure that these activities are carried out economically and efficiently and Government/Corporation should also ensure that imports, if at any time absolutely necessary to tide over a difficult situation, are kept to the barest minimum. The Committee would like the Corporation/Government to explore the possibility of diverting the accumulated stocks, if any, of donated commodities received under "Operation Flood", to public use before going in for commercial imports.

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8.19

The Committee were informed that after canalising of the import of SMP was given to the Corporation, certain factories in Karnataka in small scale sector were found to have received import licences even though they were not engaged in the manufacture of baby food. They were informed that the Corporation had written to the Government and demanded a CBI enquiry into the matter. The Committee would like to be informed whether the matter has since been examined by Govt. and the investigation entrusted to the CBI as demanded by the Corporation, and, if so, with what results. The Committee are constrained to conclude from the above that import licences were given to the applicants without checking their standing or performance in the field of manufacture of baby and malted milk foods. They would like the Government to tighten the procedure for issue of import licences so as to ensure that licences are issued only after satisfying that the units are actually engag-

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ed in manufacture of baby foods etc. and after verification of their capacity production programme and the need.

*Pricing Policy Remunerative Policy*

67	9.15 & 9.16	<p>The Committee are given to understand that elimination of middlemen has helped the actual milk producers to receive remunerative prices. The Ministry have stated that the consumer price can be kept low by keeping the processing and handling cost at the minimum and by quick and cheap means of transport from milk sheds to city plants and cutting down distribution costs. The Committee are informed that some steps are being taken in that direction. The Committee would like to be informed of the position and steps taken for bringing down the consumer price.</p>
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The Committee also urge that the Corporation/Government should not relax their vigil to safeguard the interests of producers and protect them from being exploited at the hands of middlemen even during the flush season.

68	9.17 & 9.18	<p>The representative of the Ministry of Agriculture stated during evidence that it is our endeavour to see that we stop subsidising of milk in the metropolitan cities and to utilise the resources available for the purpose of upgrading the milk animals and see that milk production is thereby increased so that the cost might generally come down because of plentiful supply of milk. This will also help in bringing down the cost to the weaker sections. The Committee agree with the representative of the Ministry that public funds should be utilised primarily for the purpose of increasing the milk yield. Without going into the merits of questions for grant of subsidy to DMS, the Committee would like Government to take suitable measures to place DMS on sound footing.</p>
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The Committee would also like that Government should take concerted measures to see that production and procurement of milk is stepped up so that availability of milk may increase and prices become more competitive and within reach of common man.

#### *Marketing*

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9.23

The Committee feel that there is an imperative need for market research to be conducted at all India level in regard to the extent and nature of demand of milk and milk products in the various regions during different periods of the year ascertain the prices prevailing in these areas and feed back the information to the production centres so that the producers can adjust their operations to suit the needs of consumption centres. They would like the Corporation to draw out a perspective plan for the conversion of surplus milk in flush season into SMP and BO for use in lean seasons in the deficit regions so as to place the dairy industry in surplus regions on a stable footing. The Committee would like Government to persuade the State Governments to assist in the completion of modern dairies according to plan of operation of "Operation Flood" to enable public sector obtain a commanding share of milk market.

#### *Pricing of SMP & BO*

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9.30

The Committee note that the prices of SMP and BO were, on the Corporation's suggestion, raised to Rs. 6500 MT for SMP and Rs. 10,000 MT for BO from January, 1974. The Committee are informed that a second proposal of the Corporation in May, 1974 to further increase the prices was examined by the Ministry from all angles and it has been decided not to accept it. They need hardly stress that while fixing the transfer value of SMP & BO received under the

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project the Ministry should be guided by the aim underlying the "Operation Flood" of ensuring development and growth of dairy industry in India so as to attain self-reliance and should also keep in mind the twin objective of giving remunerative price of milk to producers and keeping the sale price of milk within the reach of common man.

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10.9

The Committee find that funds are disbursed to the States for different "Action Items" on the basis of project estimates, scrutinised by the NDDB and approved by the Board. The Committee would like that a system be introduced by which the implementing States may be required to submit monthly/quarterly reports of utilisation of funds along with the reports of work done on prescribed dates so that the Corporation may be in a position to ensure utilisation of funds for the purposes for which they were given. The Committee would also like Government to advise the States of the necessity of sending such periodical returns at prescribed periodical intervals and in prescribed proformae so that a review of the performance both financial and physical can be made on a uniform basis.

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10.10

The Committee find that the Corporation is already initiating action to introduce "performance audit" of the implementing agencies with regard to utilisation of funds disbursed under the operation flood and the IDC teams are visiting Gujarat, Tamil Nadu, Maharashtra, for the purpose.

The Committee would like to know the significant points which are brought to notice as a result of the performance audit and the follow-up action taken thereon.

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73	10.11	The Committee have elsewhere in the Report given their observations on the information system which is being built up by the I.D.C. They have no doubt that the information system devised would be such as to take care of the true state of finance of the unit in order to aid the management with factual information for the best deployment of financial resources to achieve the objective.
74	10.12	Internal Audit Cells may also be established in the large field units and in the Corporation, so that these can bring to notice any serious irregularities requiring immediate remedial action and thus help in effecting savings by cutting out waste and infructuous expenditure. The Committee would like to be informed of the concrete measures taken by the Corporation in this behalf.
75	11.16	The Committee note that the NDDB is technical consultant to the IDC and <i>inter alia</i> , offers technical advice on all the projects included in "Operation Flood". The Committee are informed that for ensuring a close and meaningful relationship, the IDC and NDDB have a common Chairman and some common members on the Board of Directors/Executive Committee. The Ministry have stated that the question of merger of the two organisations has not been considered by the Government so far. The Committee agree with the IDC that "in the long run it would be beneficial to bring about merger of the two organisations so that the NDDB can become the research and development wing of the merged organisation. The merger should be in such a way that activities of NDDB do not get inhibited due to procedural difficulties."
76	11.17 & 11.18	The Committee would like the Ministry to review the composition of the Board of Directors of the Corporation in consultation with the IDC

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and determine whether and if so, how it should be strengthened and broad-based with a view to ensure accelerated implementation of the Project "Operation Flood" and other projects which are proposed to be assignee to the Corporation during the Fifth Five Year Plan. They need hardly stress that the Board should be a compact and balanced body of small size so as to be able to function effectively and efficiently like a team.

The Committee also recommend that the IDC should continue to keep close liaison with ICAR and also with National Dairy Research Institutes in the larger interest of integrated development of the dairy industry and animal husbandry in the country.

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