

THE MILK CRISES OF 2015 - A DIALOGUE & RE-VISIONING ANIMALS IN OUR FARMING LIVELIHOODS

PREPARATORY NOTE

Domestic milk markets in India are in crises. A price war is raging between dairy processors, to sell milk at extremely low prices in urban cities. This has been accompanied by a steep reduction in milk procurement prices paid as also the volume of milk procured from producers by dairy processors. Small and marginal farmers, whose livelihoods depend on selling milk and who are the backbone of this market, have been hardest hit. This has also severely affected the people's milk market, commonly referred to as the “informal” or “unorganised” milk markets. The Food Sovereignty Alliance (FSA) was alerted to the crises by its member small farmers from Chittoor district in Andhra Pradesh and Medak district in Telangana. In trying to understand the issue in greater detail, the FSA discovered that this is not merely a crises for small farmers of Chittoor and Medak: it is a grave crises that is impacting small farmers nationally and globally. They stand poised to be thrown out of their livelihoods *en-masse*. Given the urgency of the issue, it became apparent to the FSA that the only way forward is to (i) get a better understanding of the ground reality, through dialogue with as many small milk producer farmers as possible and (ii) chalk out a collective strategy to resist this systematic planned decimation of small producers and people's milk markets. This preparatory note has been developed to set context and serve as a starting point for our dialogue today in Chennai - October 21, 2015.

A. Defining the Crisis

The following key events unfolded the crises to the FSA.

January 2015: Amul launched an aggressive marketing strategy to sell liquid milk in Hyderabad city at a price much lower than any other brand. This put pressure on other brands (cooperative and private) to reduce their sales prices. The Twin Cities Milk Vendors Welfare Association of Hyderabad protested Amul's marketing strategy of bypassing the traditional milk vendors in Hyderabad and directly supplying their produce to shops and hotels¹. FSA projected that the reduction in sales prices could result in a fall in procurement prices for farmers selling milk in and around Hyderabad city.

June 2015: FSA received reports, from its member *sanghas* in Chittoor district, Andhra Pradesh that since May 2015, milk of small dairy farmers in Andhra Pradesh was being rejected by both private and Cooperative dairies. Milk procurement prices had been reduced. Farmers poured milk down the drain in protest.

FSA immediately carried out a fact finding of the problem with the farmers and investigated it further through secondary research. This led us to the understanding of the crises as presented in the schematic below.

B. The Dairy Sector in Context

To put the crises and the future directions in context here are some facts about the dairy sector.

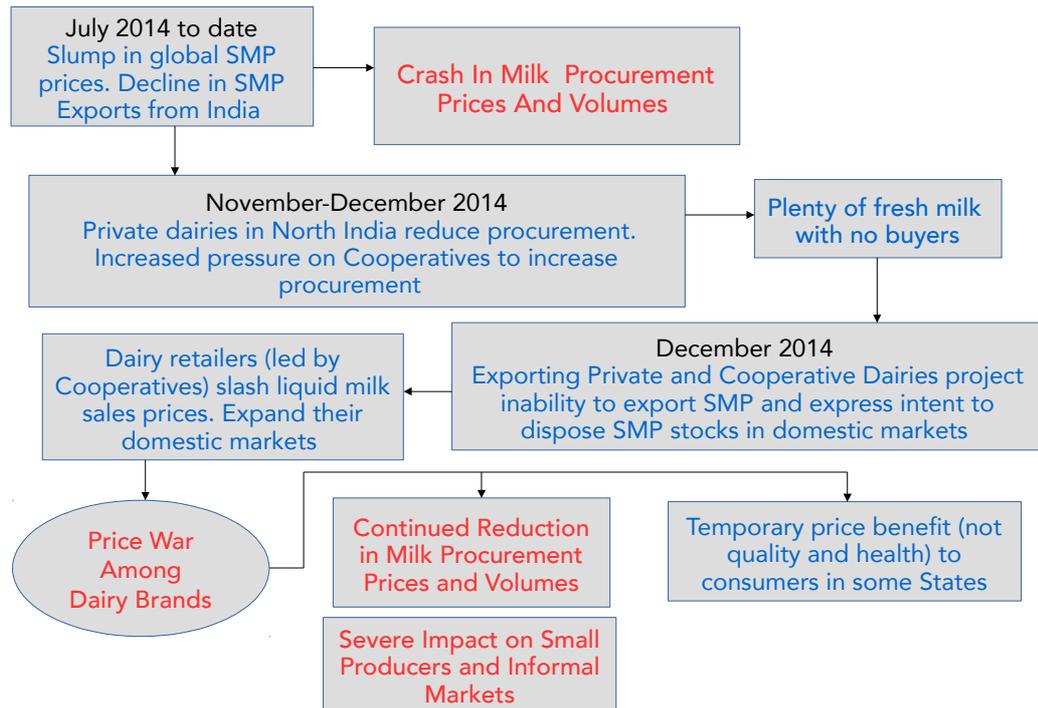
- The country accounts for 67.5% of world's buffalo milk. 51.86% of India's milk comes from buffaloes, followed by 44.26% from cows and the remaining from goats².
- Of the total milk produced by over 70 million households (most of whom are small and marginal farmers) in India, 45% of the milk is consumed within the households. The balance 55% is marketed. Of this, 75% (comprising loose unpackaged milk and processed products) is sold in “informal markets” and 25% (comprising loose unpackaged milk and processed products) is sold in formal markets³.
- India's dairy sector employs around 90 million people, of which 75 million are women. It is a significant source of income for millions of rural families, particularly small and marginal farmers and the landless poor.

¹ Ramdas, S. 2015. Death of Small-Farmer Dairies amidst India's Dairy Boom. Economic & Political Weekly. Vol.1, No. 19.

² Indian Ratings and Research. A Fitch Group Company FY16 Outlook: Dairy Poised for Sustained Growth Outlook Report.

³ Ibid 2

National Milk Crises 2014-15



C. Global – National Connection

The declines in skimmed milk powder (SMP) exports from India were triggered by the slump in global SMP prices. SMP rates at Global Dairy Trade averaged USD 2,467 a tonne (~ Rs. 160 /kg) on April 1, 2015, down from USD 4,126 (~ Rs. 267 /kg) a year ago and the peak of USD 5,142 (~Rs. 333/kg) two years ago. The rates crashed to USD 1419 (~ Rs. 92 /kg) on August 4, 2015. In 2013-14, India exported nearly 1.3 lakh tonnes of SMP valued at Rs 2,717.56 crore. During the fiscal year 2014-2015, hardly 30,000 tonnes of SMP, were exported⁴. Low global prices thus impacted domestic exports, and in turn impacted domestic markets. In April 2015, SMP was being sold by private dairies at Rs. 180 per kg, against Rs. 270 in April 2014. This happened despite relatively high import tariffs (ranging from 30-60%) on all dairy products. The global slump was due to surplus SMP reportedly triggered by fall in imports by China and Russia, further exacerbated with the withdrawal of milk quotas in the European Union (EU) in April 2015. While procurement prices continue to plummet, input costs keep rising, and farmers' critical milk price (cost of production) is not covered. The impact on small farmers selling milk to large private dairies, cooperatives, small localized dairies, and private vendors is severe. Even in the EU and US where the Governments continue to subsidise milk production, the story of the small farmer is identical. More and more small farmers are being pushed out of the market because milk production is becoming unviable. This is not just a national but an international crises for small producers.

What about consumers? The temporary benefit that they are seeing in India is one of price, not of health and quality. As dairies consolidate their positions and expand, the prices will rise once again. Global dairy markets, controlled by corporations, are highly volatile, with periodic cycles of highs and lows. Domestic dairy processors, regardless of whether they are corporate or cooperative, are trapped within the same logic of capitalist commodity markets. Their strategy to survive and sustain is to grow, expand, consolidate, merge, acquire, capture markets and progressively integrate into global markets. This expansion and growth through investments, mergers and partnerships is actively supported by national policies. In turn, this expansion and integration is wiping out small farmers and local milk markets, as indeed has happened worldwide. Paradoxically, national policies are pushing more and more small farmers into dairy production and consequently debt!

⁴Source: <https://www.globaldairytrade.info/en/product-results/skim-milk-powder/#twelvemonth>

D. Why this Workshop?

It is very clear therefore that small producers are at great risk. To address the ongoing crises and to challenge a future monopolised by large industrial agribusiness, it is urgent for us to dialogue and strategise on a way forward. Through dialogue we must first completely understand the ground reality from as many small producers and people's markets as possible. This will help in providing greater clarity to the various dimensions of the crises. From this clarity we must develop a collective strategy to resist the systematic and concerted effort underway that aims to push small farmer producers out of production and make redundant local markets. The strategy should lead to a plan of action to resist the corporate industrial capture of our production and markets, as also towards a broader process of re-visioning animals in our farming livelihoods.